

FEDERAL AGRICULTURE IMPROVEMENT AND REFORM ACT OF 1996

[As Amended Through P.L. 107–195, June 16, 2002]

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SECTION 1. [7 U.S.C. 7201 note] SHORT TITLE; TABLE OF CONTENTS.

(a) **SHORT TITLE.**—This Act may be cited as the “Federal Agriculture Improvement and Reform Act of 1996”.

* * * * *

TITLE I—AGRICULTURAL MARKET TRANSITION ACT¹⁰¹⁻¹

Subtitle A—Short Title, Purpose, and Definitions

SEC. 101. [7 U.S.C. 7201] SHORT TITLE AND PURPOSE.

(a) **SHORT TITLE.**—This title may be cited as the “Agricultural Market Transition Act”.

(b) **PURPOSE.**—It is the purpose of this title—

(1) to authorize the use of binding production flexibility contracts between the United States and agricultural producers to support farming certainty and flexibility while ensuring continued compliance with farm conservation and wetland protection requirements;

(2) to make nonrecourse marketing assistance loans and loan deficiency payments available for certain crops;

(3) to improve the operation of farm programs for milk, peanuts, and sugar; and

(4) to establish a commission to undertake a comprehensive review of past and future production agriculture in the United States.

SEC. 102. [7 U.S.C. 7202] DEFINITIONS.

In this title:

(1) **AGRICULTURAL ACT OF 1949.**—Except in section 171, the term “Agricultural Act of 1949” means the Agricultural Act of 1949 (7 U.S.C. 1421 et seq.), as in effect prior to the suspensions under section 171(b)(1).

(2) **CONSIDERED PLANTED.**—The term “considered planted” means acreage that is considered planted under title V of the Agricultural Act of 1949 (7 U.S.C. 1461 et seq.) and such other acreage as the Secretary considers fair and equitable.

(3) **CONTRACT.**—The terms “contract” and “production flexibility contract” mean a production flexibility contract entered into under section 111.

(4)¹⁰²⁻¹ **CONTRACT ACREAGE.**—The term “contract acreage” means 1 or more crop acreage bases established for contract

¹⁰¹⁻¹ Title I of P.L. 104-127, 110 Stat. 896, April 4, 1996.

Sec. 1 of P.L. 107-25, 115 Stat. 201, Aug. 13, 2001, requires the Secretary to use funds of the Commodity Credit Corporation to provide assistance in the form of a market loss assistance payment to owners and producers on a farm that are eligible for a final payment for fiscal year 2001 under a production flexibility contract for this Act.

Sec. 515(h)(3)(B)(ii) of the Federal Crop Insurance Act (7 U.S.C. 1515(h)(3)(B)(ii)), permits the Secretary to disqualify a producer from receiving any benefit under this Act for a period of up to 5 years if the producer violates paragraph (1) or (2) of section 515(h) of that Act.

¹⁰²⁻¹ Sec. 1101(a)(1)(B)(i) of the Farm Security and Rural Investment Act of 2002 (7 U.S.C. 7911(1)(B)(i)) permits owners of a farm, for the purpose of determining base acres of covered commodities, to elect to use, inter alia, contract acreage (as defined in this sec.) used by the Secretary to calculate the fiscal year 2002 payment authorized under sec. 114.

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commodities under title V of the Agricultural Act of 1949 (7 U.S.C. 1461 et seq.) that would have been in effect for the 1996 crop (but for suspension under section 171(b)(1)).

(5) CONTRACT COMMODITY.—The term “contract commodity” means wheat, corn, grain sorghum, barley, oats, upland cotton, and rice.

(6) CONTRACT PAYMENT.—The term “contract payment” means a payment made under this subtitle pursuant to a contract.

(7) DEPARTMENT.—The term “Department” means the Department of Agriculture.

(8) EXTRA LONG STAPLE COTTON.—The term “extra long staple cotton” means cotton that—

(A) is produced from pure strain varieties of the Barbados species or any hybrid thereof, or other similar types of extra long staple cotton, designated by the Secretary, having characteristics needed for various end uses for which United States upland cotton is not suitable and grown in irrigated cotton-growing regions of the United States designated by the Secretary or other areas designated by the Secretary as suitable for the production of the varieties or types; and

(B) is ginned on a roller-type gin or, if authorized by the Secretary, ginned on another type gin for experimental purposes.

(9) FARM PROGRAM PAYMENT YIELD.—The term “farm program payment yield” means the farm program payment yield established for the 1995 crop of a contract commodity under section 505 of the Agricultural Act of 1949 (7 U.S.C. 1465). The Secretary shall adjust the farm program payment yield for the 1995 crop of a contract commodity to account for any additional yield payments made with respect to that crop under subsection (b)(2) of the section.

(10) LOAN COMMODITY.—The term “loan commodity” means each contract commodity, extra long staple cotton, and oilseed.

(11) OILSEED.—The term “oilseed” means a crop of soybeans, sunflower seed, rapeseed, canola, safflower, flaxseed, mustard seed, or, if designated by the Secretary, other oilseeds.

(12) PRODUCER.—The term “producer” means an owner, operator, landlord, tenant, or sharecropper who shares in the risk of producing a crop and who is entitled to share in the crop available for marketing from the farm, or would have shared had the crop been produced. In determining whether a grower of hybrid seed is a producer, the Secretary shall not take into consideration the existence of a hybrid seed contract.

(13) SECRETARY.—The term “Secretary” means the Secretary of Agriculture.

(14) STATE.—The term “State” means each of the several States of the United States, the District of Columbia, the Commonwealth of Puerto Rico, and any other territory or possession of the United States.

Sec. 1106(d) of the Farm Security and Rural Investment Act of 2002 (7 U.S.C. 7916(a)(2)) provides a special rule for the 2002 crop year if total base acres under section 1101(a) of that Act results in total base acres for a farm in excess of the contract acreage (as defined in this sec.) used by the Secretary to calculate the fiscal year 2002 payment authorized under sec. 114.

(15) UNITED STATES.—The term “United States”, when used in a geographical sense, means all of the States.

Subtitle B—Production Flexibility Contracts

SEC. 111. [7 U.S.C. 7211] AUTHORIZATION FOR USE OF PRODUCTION FLEXIBILITY CONTRACTS. ¹¹¹⁻¹

(a) *OFFER AND TERMS.*—The Secretary shall offer to enter into a production flexibility contract with an eligible owner or producer described in subsection (b) on a farm containing eligible cropland. Under the terms of a contract, the owner or producer shall agree, in exchange for annual contract payments, to—

(1) *comply with applicable conservation requirements under subtitle B of title XII of the Food Security Act of 1985 (16 U.S.C. 3811 et seq.);*

(2) *comply with applicable wetland protection requirements under subtitle C of title XII of the Act (16 U.S.C. 3821 et seq.);*

(3) *comply with the planting flexibility requirements of section 118; and*

(4) *use the land subject to the contract for an agricultural or related activity, but not for a nonagricultural commercial or industrial use, as determined by the Secretary.*

(b) *ELIGIBLE OWNERS AND PRODUCERS DESCRIBED.*—The following producers and owners shall be eligible to enter into a contract:

(1) *An owner of eligible cropland who assumes all or a part of the risk of producing a crop.*

(2) *A producer (other than an owner) on eligible cropland with a share-rent lease of the eligible cropland, regardless of the length of the lease, if the owner enters into the same contract.*

(3) *A producer (other than an owner) on eligible cropland who cash rents the eligible cropland under a lease expiring on or after September 30, 2002, in which case the owner is not required to enter into the contract.*

(4) *A producer (other than an owner) on eligible cropland who cash rents the eligible cropland under a lease expiring before September 30, 2002. The owner of the eligible cropland may also enter into the same contract. If the producer elects to enroll less than 100 percent of the eligible cropland in the contract, the consent of the owner is required.*

(5) *An owner of eligible cropland who cash rents the eligible cropland and the lease term expires before September 30, 2002, if the tenant declines to enter into a contract. In the case of an owner covered by this paragraph, contract payments shall not begin under a contract until the lease held by the tenant ends.*

(6) *An owner or producer described in any preceding paragraph regardless of whether the owner or producer purchased catastrophic risk protection for a 1996 crop under section 508(b) of the Federal Crop Insurance Act (7 U.S.C. 1508(b)).*

¹¹¹⁻¹ Sec. 1107(a) of the Farm Security and Rural Investment Act of 2002 (7 U.S.C. 7917(a)) provides that, notwithstanding sec. 113(a)(7) or any other provision of law, the Secretary shall not make payments for fiscal year 2002 after May 13, 2002, under a production flexibility contract entered into under this sec. unless requested by the producer that is a party to the contract.

(c) *TENANTS AND SHARECROPPERS.*—In carrying out this subtitle, the Secretary shall provide adequate safeguards to protect the interests of tenants and sharecroppers.

(d) *ELIGIBLE CROPLAND DESCRIBED.*—Land shall be considered to be cropland eligible for coverage under a contract only if the land has contract acreage attributable to the land and—

(1) for at least 1 of the 1991 through 1995 crops, at least a portion of the land was enrolled in the acreage reduction program authorized for a crop of a contract commodity under section 101B, 103B, 105B, or 107B of the Agricultural Act of 1949 or was considered planted;

(2) was subject to a conservation reserve contract under section 1231 of the Food Security Act of 1985 (16 U.S.C. 3831) whose term expired, or was voluntarily terminated, on or after January 1, 1995; or

(3) is released from coverage under a conservation reserve contract by the Secretary during the period beginning on January 1, 1995, and ending on the date specified in section 112(a)(2).

(e) *QUANTITY OF ELIGIBLE CROPLAND COVERED BY CONTRACT.*—Subject to subsection (b)(4), an owner or producer may enroll as contract acreage all or a portion of the eligible cropland on the farm.

(f) *VOLUNTARY REDUCTION IN CONTRACT ACREAGE.*—Subject to subsection (b)(4), an owner or producer who enters into a contract may subsequently reduce the quantity of contract acreage covered by the contract.

SEC. 112. [7 U.S.C. 7212] ELEMENTS OF CONTRACTS.

(a) *TIME FOR CONTRACTING.*—

(1) *COMMENCEMENT.*—To the extent practicable, the Secretary shall commence entering into contracts not later than 45 days after the date of enactment of this title.

(2) *DEADLINE.*—Except as provided in paragraph (3), the Secretary may not enter into a contract after August 1, 1996.

(3) *CONSERVATION RESERVE LANDS.*—

(A) *IN GENERAL.*—At the beginning of each fiscal year, the Secretary shall allow an eligible owner or producer on a farm covered by a conservation reserve contract entered into under section 1231 of the Food Security Act of 1985 (16 U.S.C. 3831) that terminates after the date specified in paragraph (2) to enter into or expand a production flexibility contract to cover the contract acreage of the farm that was subject to the former conservation reserve contract.

(B) *AMOUNT.*—Contract payments made for contract acreage under this paragraph shall be made at the rate and amount applicable to the annual contract payment level for the applicable crop. For the fiscal year in which the conservation reserve contract is terminated, the owner or producer subject to the production flexibility contract may elect to receive either contract payments or a prorated payment under the conservation reserve contract, but not both.

(b) *DURATION OF CONTRACT.*—

(1) *BEGINNING DATE.*—The term of a contract shall begin with—

(A) the 1996 crop of a contract commodity; or

(B) in the case of acreage that was subject to a conservation reserve contract described in subsection (a)(3), the

date the production flexibility contract was entered into or expanded to cover the acreage.

(2) *ENDING DATE.*—*The term of a contract shall extend through the 2002 crop, unless earlier terminated by the owner or producer.*

(c) *ESTIMATION OF CONTRACT PAYMENTS.*—*At the time the Secretary enters into a contract, the Secretary shall provide an estimate of the minimum contract payments anticipated to be made during at least the first fiscal year for which contract payments will be made.*

(d) *TIME FOR PAYMENT.*—

(1) *IN GENERAL.*—*An annual contract payment shall be made not later than September 30 of each of fiscal years 1996 through 2002.*

(2) *ADVANCE PAYMENTS.*—¹¹²⁻¹

(A) *FISCAL YEAR 1996.*—*At the option of the owner or producer, 50 percent of the contract payment for fiscal year 1996 shall be made not later than 30 days after the date on which the contract is entered into and approved by the Secretary and the owner or producer.*

(B) *SUBSEQUENT FISCAL YEARS.*—*At the option of the owner or producer for fiscal year 1997 and each subsequent fiscal year, 50 percent of the annual contract payment shall be made on December 15 or January 15 of the fiscal year. The owner or producer may change the date selected under this subparagraph for a subsequent fiscal year by providing advance notice to the Secretary.*

(3)¹¹²⁻² *SPECIAL RULE.*—*Notwithstanding the requirements for making an annual contract payment specified in paragraphs (1) and (2), at the option of the owner or producer, the Secretary shall pay the full amount (or such portion as the owner or producer may specify) of the contract payment required to be paid for any of fiscal years 1999 through 2002¹¹²⁻³ at such time or times during that fiscal year as the owner or producer may specify.*

¹¹²⁻¹ Sec. 525 of P.L. 106-170, 113 Stat. 1928, Dec. 17, 1999, requires that any option to accelerate the receipt of any payment under a production flexibility contract which is payable under the Federal Agriculture Improvement and Reform Act of 1996 (7 U.S.C. 7200 et seq.), as in effect on the date of the enactment of P.L. 106-170, be disregarded in determining the taxable year for which such payment is properly includible in gross income for purposes of the Internal Revenue Code of 1986.

Sec. 1601(d) of the Farm Security and Rural Investment Act of 2002 (7 U.S.C. 7991(d)) provides that the protection that was afforded producers that had an option to elect to accelerate the receipt of any payment under a production flexibility contract payable under this Act, as provided by section 525 of Public 106-170 (113 Stat. 1928; 7 U.S.C. 7212 note), shall also apply to the option to receive (1) the advance payment of direct payments and counter-cyclical payments under subtitle A and subtitle C of title I of the Farm Security and Rural Investment Act of 2002, and (2) the single payment of compensation for eligible peanut quota holders under section 1310 of that Act.

¹¹²⁻² Para. (3) added by sec. 2 of P.L. 105-228, 112 Stat. 1516, August, 12, 1998. Sec. 811(1) of the Agriculture, Rural Development, Food and Drug Administration, and Related Agencies Appropriations Act, 2000 (7 U.S.C. 1421 note; P.L. 106-78; 113 Stat. 1181; Oct. 22, 1999) amended the para. heading of this para. by striking “FOR FISCAL YEAR 1999”.

¹¹²⁻³ Sec. 811(2) of the Agriculture, Rural Development, Food and Drug Administration, and Related Agencies Appropriations Act, 2000 (7 U.S.C. 1421 note; P.L. 106-78; 113 Stat. 1135; Oct. 22, 1999) amended this para. by striking “for fiscal year 1999” and inserting “for any of fiscal years 1999 through 2002”.

SEC. 113. [7 U.S.C. 7213] AMOUNTS AVAILABLE FOR CONTRACT PAYMENTS.

(a) *FISCAL YEAR AMOUNTS.*—The Secretary shall, to the maximum extent practicable, expend the following amounts to satisfy the obligations of the Secretary under all contracts:

- (1) For fiscal year 1996, \$5,570,000,000.
- (2) For fiscal year 1997, \$5,385,000,000.
- (3) For fiscal year 1998, \$5,800,000,000.
- (4) For fiscal year 1999, \$5,603,000,000.
- (5) For fiscal year 2000, \$5,130,000,000.
- (6) For fiscal year 2001, \$4,130,000,000.
- (7) For fiscal year 2002, \$4,008,000,000.

(b) *ALLOCATION.*—The amount made available for a fiscal year under subsection (a) shall be allocated as follows:

- (1) For wheat, 26.26 percent.
- (2) For corn, 46.22 percent.
- (3) For grain sorghum, 5.11 percent.
- (4) For barley, 2.16 percent.
- (5) For oats, 0.15 percent.
- (6) For upland cotton, 11.63 percent.
- (7) For rice, 8.47 percent.

(c) *ADJUSTMENT.*—The Secretary shall adjust the amounts allocated for each contract commodity under subsection (b) for a particular fiscal year by—

(1) adding an amount equal to the sum of all repayments of deficiency payments required under section 114(a)(2) of the Agricultural Act of 1949 (7 U.S.C. 1445j(a)(2)) for the commodity;

(2) adding an amount equal to the sum of all refunds of contract payments received during the preceding fiscal year under section 116 for the commodity; and

(3) subtracting an amount equal to the amount, if any, necessary during that fiscal year to satisfy payment requirements for the commodity under sections 103B, 105B, or 107B of the Agricultural Act of 1949 for the 1994 and 1995 crop years.

(d) *ADDITIONAL RICE ALLOCATION.*—In addition to the adjustments required under subsection (c), the amount allocated under subsection (b) for rice contract payments shall be increased by \$8,500,000 for each of fiscal years 1997 through 2002.

(e) *EXCLUSION OF CERTAIN AMOUNTS FROM CONTRACT PAYMENTS.*—Any amount added pursuant to paragraphs (1) and (2) of subsection (c) to the amount available under subsection (a) for a fiscal year and paid to owners and producers under a contract shall not be treated as a contract payment for purposes of section 115(a) of this title or section 1001(1) of the Food Security Act of 1985 (7 U.S.C. 1308(1)). However, the amount of a payment covered by this subsection may not exceed \$50,000 per person.

(f) *EFFECT OF PAYMENT LIMITATION.*—The amount available under subsection (a) for a fiscal year shall be reduced by an amount equal to the total amount of contract payments for the fiscal year that owners and producers forgo as a result of operation of the payment limitation under section 1001(1) of the Food Security Act of 1985 (7 U.S.C. 1308(1)).

SEC. 114. [7 U.S.C. 7214] DETERMINATION OF CONTRACT PAYMENTS UNDER CONTRACTS.

(a) **INDIVIDUAL PAYMENT QUANTITY OF CONTRACT COMMODITIES.**—For each contract, the payment quantity of a contract commodity for each fiscal year shall be equal to the product of—

- (1) 85 percent of the contract acreage; and
- (2) the farm program payment yield.

(b) **ANNUAL PAYMENT QUANTITY OF CONTRACT COMMODITIES.**—The payment quantity of each contract commodity covered by all contracts for each fiscal year shall be equal to the sum of the amounts calculated under subsection (a) for each individual contract.

(c) **ANNUAL PAYMENT RATE.**—The payment rate for a contract commodity for each fiscal year shall be equal to—

- (1) the amount made available under section 113 for the contract commodity for the fiscal year; divided by
- (2) the amount determined under subsection (b) for the fiscal year.

(d) **ANNUAL PAYMENT AMOUNT.**—The amount to be paid under a contract in effect for each fiscal year with respect to all contract commodities covered by the contract shall be equal to the sum of the products of—

- (1) the payment quantity determined under subsection (a) for each of the contract commodities covered by the contract; and
- (2) the corresponding payment rate for the contract commodity in effect under subsection (c).

(e) **REDUCTION IN PAYMENT AMOUNT.**—The contract payment determined under subsection (d) for an owner or producer for a fiscal year shall be immediately reduced by the amount of any repayment of deficiency payments that is required under section 114(a)(2) of the Agricultural Act of 1949 (7 U.S.C. 1445j(a)(2)) and is not repaid as of the date the contract payment is determined. The Secretary shall be required to collect the required repayment, or any claim based on the required repayment, as soon as the contract payment is determined.

(f) **ASSIGNMENT OF CONTRACT PAYMENTS.**—The provisions of section 8(g) of the Soil Conservation and Domestic Allotment Act (16 U.S.C. 590h(g)) (relating to assignment of payments) shall apply to contract payments under this section. The owner or producer making the assignment, or the assignee, shall provide the Secretary with notice, in such manner as the Secretary may require in the contract, of any assignment made under this subsection.

(g) **SHARING OF CONTRACT PAYMENTS.**—The Secretary shall provide for the sharing of contract payments among the owners and producers subject to the contract on a fair and equitable basis.

SEC. 115. [7 U.S.C. 7215] PAYMENT LIMITATIONS.

(a) **APPLICABILITY OF PAYMENT LIMITATIONS.**—Sections 1001 through 1001C of the Food Security Act of 1985 (7 U.S.C. 1308 through 1308-3), as amended by this section, shall be applicable to contract payments made under this subtitle. ¹¹⁵⁻¹

¹¹⁵⁻¹ Sec. 813(a) of the Agriculture, Rural Development, Food and Drug Administration, and Related Agencies Appropriations Act, 2000 (7 U.S.C. 1421 note; P.L. 106-78; 113 Stat. 1182; Oct. 22, 1999) provides that, notwithstanding section 1001(2) of the Food Security Act of 1985 (7 U.S.C. 1308(1)), the total amount of the payments specified in section 1001(3)

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(b) *PAYMENT LIMITATIONS.*—¹¹⁵⁻²

(c) *CONFORMING AMENDMENTS.*—¹¹⁵⁻³

SEC. 116. [7 U.S.C. 7216] VIOLATIONS OF CONTRACT.

(a) *TERMINATION OF CONTRACT FOR VIOLATION.*—*Except as provided in subsection (b), if an owner or producer subject to a contract violates a requirement of the contract specified in section 111(a), the Secretary shall terminate the contract with respect to the owner or producer on each farm in which the owner or producer has an interest. On the termination, the owner or producer shall forfeit all rights to receive future contract payments on each farm in which the owner or producer has an interest and shall refund to the Secretary all contract payments received by the owner or producer during the period of the violation, together with interest on the contract payments as determined by the Secretary.*

(b) *REFUND OR ADJUSTMENT.*—*If the Secretary determines that a violation does not warrant termination of the contract under subsection (a), the Secretary may require the owner or producer subject to the contract—*

(1) to refund to the Secretary that part of the contract payments received by the owner or producer during the period of the violation, together with interest on the contract payments as determined by the Secretary; or

(2) to accept a reduction in the amount of future contract payments that is proportionate to the severity of the violation, as determined by the Secretary.

(c) *FORECLOSURE.*—

(1) EFFECT OF FORECLOSURE.—*An owner or producer subject to a contract may not be required to make repayments to the Secretary of amounts received under the contract if the contract acreage has been foreclosed on and the Secretary determines that forgiving the repayments is appropriate to provide fair and equitable treatment.*

(2) RESUMPTION OF OPERATION.—*This subsection shall not void the responsibilities of the owner or producer under the contract if the owner or producer continues or resumes operation, or control, of the contract acreage. On the resumption of operation or control over the contract acreage by the owner or producer, the provisions of the contract in effect on the date of the foreclosure shall apply.*

(d) *REVIEW.*—*A determination of the Secretary under this section shall be considered to be an adverse decision for purposes of the availability of administrative review of the determination.*

SEC. 117. [7 U.S.C. 7217] TRANSFER OR CHANGE OF INTEREST IN LANDS SUBJECT TO CONTRACT.

(a) *TERMINATION.*—*Except as provided in subsection (c), a transfer of (or change in) the interest of an owner or producer subject to*

of that Act that a person shall be entitled to receive under this Act for one or more contract commodities and oilseeds produced during the 1999 crop year may not exceed \$150,000.

Sec. 813(b) of the Agriculture, Rural Development, Food and Drug Administration, and Related Agencies Appropriations Act, 2000 (7 U.S.C. 1421 note; P.L. 106-78; 113 Stat. 1182; Oct. 22, 1999) provides that, in carrying out section 813(a) of that Act, the Secretary shall allow a producer that has marketed a quantity of an eligible 1999 crop for which the producer has not received a loan deficiency payment or marketing loan gain under section 134 or 135 of this Act to receive such payment or gain as of the date on which the quantity was marketed or redeemed, as determined by the Secretary.

¹¹⁵⁻²Sec. 115(b) amended sec. 1001 of the Food Security Act of 1985 (7 U.S.C. 1308).

¹¹⁵⁻³Sec. 115(b) amended secs. 1001A and 1001C of the Food Security Act of 1985 (7 U.S.C. 1308-1 and 1308-3).

a contract in the contract acreage covered by the contract shall result in the termination of the contract with respect to the acreage, unless the transferee or owner of the acreage agrees to assume all obligations under the contract. The termination shall be effective on the date of the transfer or change.

(b) MODIFICATION.—At the request of the transferee or owner, the Secretary may modify the contract if the modifications are consistent with the objectives of this subtitle, as determined by the Secretary.

(c) EXCEPTION.—If an owner or producer who is entitled to a contract payment dies, becomes incompetent, or is otherwise unable to receive the contract payment, the Secretary shall make the payment, in accordance with regulations prescribed by the Secretary.

SEC. 118. [7 U.S.C. 7218] PLANTING FLEXIBILITY.

(a) PERMITTED CROPS.—Subject to subsection (b), any commodity or crop may be planted on contract acreage on a farm.¹¹⁸⁻¹

(b) LIMITATIONS AND EXCEPTIONS REGARDING FRUITS AND VEGETABLES.—

(1) LIMITATIONS.—The planting of fruits and vegetables (other than lentils, mung beans, and dry peas) shall be prohibited on contract acreage.

(2) EXCEPTIONS.—Paragraph (1) shall not limit the planting of a fruit or vegetable—

(A) in any region in which there is a history of double-cropping of contract commodities with fruits or vegetables, as determined by the Secretary, in which case the double-cropping shall be permitted;

(B) on a farm that the Secretary determines has a history of planting fruits or vegetables on contract acreage, except that a contract payment shall be reduced by an acre for each acre planted to the fruit or vegetable; or

(C) by a producer who the Secretary determines has an established planting history of a specific fruit or vegetable, except that—

(i) the quantity planted may not exceed the producer's average annual planting history of the fruit or vegetable in the 1991 through 1995 crop years (excluding any crop year in which no plantings were made), as determined by the Secretary; and

(ii) a contract payment shall be reduced by an acre for each acre planted to the fruit or vegetable.

¹¹⁸⁻¹ Sec. 727 of the Agriculture, Rural Development, Food and Drug Administration, and Related Agencies Appropriations Act, 2000 (7 U.S.C. 7218 note; P.L. 106-78; 113 Stat. 1164, Oct. 22, 1999) provides that none of the funds appropriated or otherwise available to the Department of Agriculture may be used to administer the provision of contract payments to a producer under this Act for contract acreage on which wild rice is planted unless the contract payment is reduced by an acre for each contract acre planted to wild rice.

Subtitle C—Nonrecourse Marketing Assistance Loans and Loan Deficiency Payments

SEC. 131. [7 U.S.C. 7231] AVAILABILITY OF NONRECOURSE MARKETING ASSISTANCE LOANS. ¹³¹⁻¹

(a) **NONRECOURSE LOANS AVAILABLE.**—For each of the 1996 through 2002 crops of each loan commodity, the Secretary shall make available to producers on a farm nonrecourse marketing assistance loans for loan commodities produced on the farm. The loans shall be made under terms and conditions that are prescribed by the Secretary and at the loan rate established under section 132 for the loan commodity.

(b) **ELIGIBLE PRODUCTION.**—The following production shall be eligible for a marketing assistance loan under subsection (a):

(1) In the case of a marketing assistance loan for a contract commodity, any production by a producer on a farm containing eligible cropland covered by a production flexibility contract.

(2) In the case of a marketing assistance loan for extra long staple cotton and oilseeds, any production.

(c) **COMPLIANCE WITH CONSERVATION AND WETLANDS REQUIREMENTS.**—As a condition of the receipt of a marketing assistance loan under subsection (a), the producer shall comply with applicable conservation requirements under subtitle B of title XII of the Food Security Act of 1985 (16 U.S.C. 3811 *et seq.*) and applicable wetland protection requirements under subtitle C of title XII of the Act (16 U.S.C. 3821 *et seq.*) during the term of the loan.

(d) **ADDITIONAL OUTLAYS PROHIBITED.**—The Secretary shall carry out this subtitle in such a manner that there are no additional outlays under this subtitle as a result of the reconstitution of a farm that occurs as a result of the combination of another farm that does not contain eligible cropland covered by a production flexibility contract.

¹³¹⁻¹ Sec. 1201(e) of the Farm Security and Rural Investment Act of 2002 (7 U.S.C. 7931(e)) provides that, notwithstanding this sec., nonrecourse marketing assistance loans shall not be made for the 2002 crop of loan commodities under this subtitle.

Sec. 1618 of the Farm Security and Rural Investment Act of 2002 (7 U.S.C. 8001) provides that the Secretary and the Commodity Credit Corporation shall not require producers in Erie County, Pennsylvania, to repay loan deficiency payments and marketing loan gains erroneously paid or determined to have been earned by the Commodity Credit Corporation for certain 1998 and 1999 crops under this subtitle.

Sec. 202 of P.L. 106-224, 114 Stat. 398, June 20, 2000, requires the Secretary to use \$500,000,000 of funds of the Commodity Credit Corporation to make payments to producers of the 2000 crop of oilseeds that are eligible to obtain a marketing assistance loan under this section.

Sec. 2101 of P.L. 106-246, July 13, 2000, makes certain cooperative marketing associations and persons affected by Hurricane Dennis, Floyd, or Irene that receive a reduction of marketing assistance loan indebtedness under that section ineligible for marketing loan gains or loan deficiency payments under this Act.

Sec. 3720B(a) of title 31, United States Code, provides that a person may not obtain any Federal assistance in the form of a loan (other than a marketing assistance loan or loan deficiency payment under this subtitle) if the person has an outstanding debt with any Federal agency which is in a delinquent status. Sec. 845(c)(2) of the Agriculture, Rural Development, Food and Drug Administration, and Related Agencies Appropriations Act, 2001 (P.L. 106-387; 114 Stat. 1549, 1549A-65; Oct. 28, 2000) provides a transition rule for producers on a farm that lost beneficial interest in a crop during the period beginning March 21, 2000, and ending on Oct. 27, 2000, and were ineligible for a marketing assistance loan under this subtitle because of section 3720B(a) of title 31, United States Code, as in effect before the amendment made by section 845(a) of that Act.

SEC. 132. [7 U.S.C. 7232] LOAN RATES FOR MARKETING ASSISTANCE LOANS.**(a) WHEAT.—**

(1) **LOAN RATE.**—Subject to paragraph (2), the loan rate for a marketing assistance loan under section 131 for wheat shall be—

(A) not less than 85 percent of the simple average price received by producers of wheat, as determined by the Secretary, during the marketing years for the immediately preceding 5 crops of wheat, excluding the year in which the average price was the highest and the year in which the average price was the lowest in the period; but

(B) not more than \$2.58 per bushel.

(2) **STOCKS TO USE RATIO ADJUSTMENT.**—If the Secretary estimates for any marketing year that the ratio of ending stocks of wheat to total use for the marketing year will be—

(A) equal to or greater than 30 percent, the Secretary may reduce the loan rate for wheat for the corresponding crop by an amount not to exceed 10 percent in any year;

(B) less than 30 percent but not less than 15 percent, the Secretary may reduce the loan rate for wheat for the corresponding crop by an amount not to exceed 5 percent in any year; or

(C) less than 15 percent, the Secretary may not reduce the loan rate for wheat for the corresponding crop.

(b) FEED GRAINS.—

(1) **LOAN RATE FOR CORN.**—Subject to paragraph (2), the loan rate for a marketing assistance loan under section 131 for corn shall be—

(A) not less than 85 percent of the simple average price received by producers of corn, as determined by the Secretary, during the marketing years for the immediately preceding 5 crops of corn, excluding the year in which the average price was the highest and the year in which the average price was the lowest in the period; but

(B) not more than \$1.89 per bushel.

(2) **STOCKS TO USE RATIO ADJUSTMENT.**—If the Secretary estimates for any marketing year that the ratio of ending stocks of corn to total use for the marketing year will be—

(A) equal to or greater than 25 percent, the Secretary may reduce the loan rate for corn for the corresponding crop by an amount not to exceed 10 percent in any year;

(B) less than 25 percent but not less than 12.5 percent, the Secretary may reduce the loan rate for corn for the corresponding crop by an amount not to exceed 5 percent in any year; or

(C) less than 12.5 percent, the Secretary may not reduce the loan rate for corn for the corresponding crop.

(3) **OTHER FEED GRAINS.**—The loan rate for a marketing assistance loan under section 131 for grain sorghum, barley, and oats, respectively, shall be established at such level as the Secretary determines is fair and reasonable in relation to the rate that loans are made available for corn, taking into consideration the feeding value of the commodity in relation to corn.

(c) UPLAND COTTON.—

(1) **LOAN RATE.**—Subject to paragraph (2), the loan rate for a marketing assistance loan under section 131 for upland cotton

shall be established by the Secretary at such loan rate, per pound, as will reflect for the base quality of upland cotton, as determined by the Secretary, at average locations in the United States a rate that is not less than the smaller of—

(A) 85 percent of the average price (weighted by market and month) of the base quality of cotton as quoted in the designated United States spot markets during 3 years of the 5-year period ending July 31 of the year preceding the year in which the crop is planted, excluding the year in which the average price was the highest and the year in which the average price was the lowest in the period; or

(B) 90 percent of the average, for the 15-week period beginning July 1 of the year preceding the year in which the crop is planted, of the 5 lowest-priced growths of the growths quoted for Middling 1³/₃₂-inch cotton C.I.F. Northern Europe (adjusted downward by the average difference during the period April 15 through October 15 of the year preceding the year in which the crop is planted between the average Northern European price quotation of such quality of cotton and the market quotations in the designated United States spot markets for the base quality of upland cotton), as determined by the Secretary.

(2) LIMITATIONS.—The loan rate for a marketing assistance loan for upland cotton shall not be less than \$0.50 per pound or more than \$0.5192 per pound.

(d) EXTRA LONG STAPLE COTTON.—The loan rate for a marketing assistance loan under section 131 for extra long staple cotton shall be—

(1) not less than 85 percent of the simple average price received by producers of extra long staple cotton, as determined by the Secretary, during 3 years of the 5-year period ending July 31 of the year preceding the year in which the crop is planted, excluding the year in which the average price was the highest and the year in which the average price was the lowest in the period; but

(2) not more than \$0.7965 per pound.

(e) RICE.—The loan rate for a marketing assistance loan under section 131 for rice shall be \$6.50 per hundredweight.

(f) OILSEEDS.—

(1) SOYBEANS.—The loan rate for a marketing assistance loan under section 131 for soybeans shall be—

(A) not less than 85 percent of the simple average price received by producers of soybeans, as determined by the Secretary, during the marketing years for the immediately preceding 5 crops of soybeans, excluding the year in which the average price was the highest and the year in which the average price was the lowest in the period; but

(B) not less than \$4.92 or more than \$5.26 per bushel.

(2) SUNFLOWER SEED, CANOLA, RAPESEED, SAFFLOWER, MUSTARD SEED, AND FLAXSEED.—The loan rate for a marketing assistance loan under section 131 for sunflower seed, canola, rapeseed, safflower, mustard seed, and flaxseed, individually, shall be—

(A) not less than 85 percent of the simple average price received by producers of sunflower seed, individually, as determined by the Secretary, during the marketing years for

the immediately preceding 5 crops of sunflower seed, individually, excluding the year in which the average price was the highest and the year in which the average price was the lowest in the period; but

(B) not less than \$0.087 or more than \$0.093 per pound.

(3) OTHER OILSEEDS.—The loan rates for a marketing assistance loan under section 131 for other oilseeds shall be established at such level as the Secretary determines is fair and reasonable in relation to the loan rate available for soybeans, except in no event shall the rate for the oilseeds (other than cottonseed) be less than the rate established for soybeans on a per-pound basis for the same crop.

SEC. 133. [7 U.S.C. 7233] TERM OF LOANS.

(a) TERM OF LOAN.—In the case of each loan commodity (other than upland cotton or extra long staple cotton), a marketing assistance loan under section 131 shall have a term of 9 months beginning on the first day of the first month after the month in which the loan is made.

(b) SPECIAL RULE FOR COTTON.—A marketing assistance loan for upland cotton or extra long staple cotton shall have a term of 10 months beginning on the first day of the month in which the loan is made.

(c) EXTENSIONS PROHIBITED.—The Secretary may not extend the term of a marketing assistance loan for any loan commodity.

SEC. 134. [7 U.S.C. 7234] REPAYMENT OF LOANS. ¹³⁴⁻¹

(a) REPAYMENT RATES FOR WHEAT, FEED GRAINS, AND OILSEEDS.—The Secretary shall permit a producer to repay a marketing assistance loan under section 131 for wheat, corn, grain sorghum, barley, oats, and oilseeds at a rate that is the lesser of—

(1) the loan rate established for the commodity under section 132, plus interest (as determined by the Secretary); or

(2) a rate that the Secretary determines will—

(A) minimize potential loan forfeitures;

(B) minimize the accumulation of stocks of the commodity by the Federal Government;

(C) minimize the cost incurred by the Federal Government in storing the commodity; and

(D) allow the commodity produced in the United States to be marketed freely and competitively, both domestically and internationally.

(b) REPAYMENT RATES FOR UPLAND COTTON AND RICE.—The Secretary shall permit producers to repay a marketing assistance loan under section 131 for upland cotton and rice at a rate that is the lesser of—

(1) the loan rate established for the commodity under section 132, plus interest (as determined by the Secretary); or

¹³⁴⁻¹ Sec. 1204(f) of the Farm Security and Rural Investment Act of 2002 (7 U.S.C. 7934(f)) requires the Secretary, for the 2001 crop year only, in the case of the producers on a farm that marketed or otherwise lost beneficial interest in a loan commodity for which a marketing assistance loan was made under sec. 131 before repaying the loan, to permit the producers to repay the loan at the appropriate repayment rate that was in effect for the loan commodity under this sec. on the date that the producers lost beneficial interest, as determined by the Secretary, if the Secretary determines the producers acted in good faith.

(2) the prevailing world market price for the commodity (adjusted to United States quality and location), as determined by the Secretary.

(c) *REPAYMENT RATES FOR EXTRA LONG STAPLE COTTON.*—Repayment of a marketing assistance loan for extra long staple cotton shall be at the loan rate established for the commodity under section 132, plus interest (as determined by the Secretary).

(d) *PREVAILING WORLD MARKET PRICE.*—For purposes of this section and section 136, the Secretary shall prescribe by regulation—

(1) a formula to determine the prevailing world market price for each loan commodity, adjusted to United States quality and location; and

(2) a mechanism by which the Secretary shall announce periodically the prevailing world market price for each loan commodity.

(e) *ADJUSTMENT OF PREVAILING WORLD MARKET PRICE FOR UPLAND COTTON.*—

(1) *IN GENERAL.*—During the period ending July 31, 2003, the prevailing world market price for upland cotton (adjusted to United States quality and location) established under subsection

(d) shall be further adjusted if—

(A) the adjusted prevailing world market price is less than 115 percent of the loan rate for upland cotton established under section 132, as determined by the Secretary; and

(B) the Friday through Thursday average price quotation for the lowest-priced United States growth as quoted for Middling (M) 1³/₃₂-inch cotton delivered C.I.F. Northern Europe is greater than the Friday through Thursday average price of the 5 lowest-priced growths of upland cotton, as quoted for Middling (M) 1³/₃₂-inch cotton, delivered C.I.F. Northern Europe (referred to in this section as the “Northern Europe price”).

(2) *FURTHER ADJUSTMENT.*—Except as provided in paragraph (3), the adjusted prevailing world market price for upland cotton shall be further adjusted on the basis of some or all of the following data, as available:

(A) The United States share of world exports.

(B) The current level of cotton export sales and cotton export shipments.

(C) Other data determined by the Secretary to be relevant in establishing an accurate prevailing world market price for upland cotton (adjusted to United States quality and location).

(3) *LIMITATION ON FURTHER ADJUSTMENT.*—The adjustment under paragraph (2) may not exceed the difference between—

(A) the Friday through Thursday average price for the lowest-priced United States growth as quoted for Middling 1³/₃₂-inch cotton delivered C.I.F. Northern Europe; and

(B) the Northern Europe price.

SEC. 135. [7 U.S.C. 7235] LOAN DEFICIENCY PAYMENTS. ¹³⁵⁻¹

(a) *AVAILABILITY OF LOAN DEFICIENCY PAYMENTS.*—Except as provided in subsection (d), the Secretary may make loan deficiency payments available to—

¹³⁵⁻¹ Sec. 3020 of the 1999 Emergency Supplemental Appropriations Act, P.L. 106-31, 113 Stat. 99, May 21, 1999, prohibits the Secretary, in making loan deficiency payments avail-

(1) producers¹³⁵⁻² who, although eligible to obtain a marketing assistance loan under section 131 with respect to a loan commodity, agree to forgo obtaining the loan for the commodity in return for payments under this section; and

(2)¹³⁵⁻³ effective only for the 2000 and 2001 crop years,¹³⁵⁻⁴ producers that, although not eligible to obtain such a marketing assistance loan under section 131, produce a contract commodity.

(b) COMPUTATION.—A loan deficiency payment under this section shall be computed by multiplying—

(1) the loan payment rate determined under subsection (c) for the loan commodity; by

(2) the quantity of the loan commodity produced by the eligible producers, excluding any quantity for which the producers obtain a loan under section 131.¹³⁵⁻⁵

(c) LOAN PAYMENT RATE.—For purposes of this section, the loan payment rate shall be the amount by which—

(1) the loan rate established under section 132 for the loan commodity; exceeds

(2) the rate at which a loan for the commodity may be repaid under section 134.

(d) EXCEPTION FOR EXTRA LONG STAPLE COTTON.—This section shall not apply with respect to extra long staple cotton.

(e)¹³⁵⁻⁶ TRANSITION.—A payment to a producer eligible for a payment under subsection (a)(2) that harvested a commodity on or before the date that is 30 days after the promulgation of the regulations implementing subsection (a)(2) shall be determined as the date the producer lost beneficial interest in the commodity, as determined by the Secretary.

(f)¹³⁵⁻⁶ BENEFICIAL INTEREST.—Subject to subsection (e), a producer shall be eligible for a payment under this section only if the

able under this section to producers of club wheat, from assessing a premium adjustment on the amount that would otherwise be computed for club wheat under this section to reflect the premium that is paid for club wheat to ensure its availability to create a blended specialty product known as western white wheat, and requires the Secretary to make a payment to each producer of club wheat who received a discounted loan deficiency payment under this section before May 21, 1999, as a result of the assessment of a premium adjustment against club wheat.

Sec. 801(f) of the Agriculture, Rural Development, Food and Drug Administration, and Related Agencies Appropriations Act, 2000 (7 U.S.C. 1421 note; P.L. 106-78; 113 Stat. 1175; Oct. 22, 1999) authorizes the Secretary to use certain funds to recalculate any repayment made for a marketing assistance loan for the 1999 crop of rice under certain circumstances.

Sec. 205 of P.L. 106-224, 114 Stat. 404, June 20, 2000, requires the Secretary, effective for the 2001 crop year, in the case of a producer that would be eligible for a loan deficiency payment under this section for wheat, barley, or oats, but that elects to use acreage planted to the wheat, barley, or oats for the grazing of livestock, to make a payment to the producer if the producer enters into an agreement with the Secretary to forgo any other harvesting of the wheat, barley, or oats on that acreage.

¹³⁵⁻² Sec. 206(a)(1) of P.L. 106-224, 114 Stat. 405, June 20, 2000, amended subsec. (a) by striking “to producers” and inserting “to—” and all that follows through “(1) producers”.

¹³⁵⁻³ Sec. 206(a)(2) and (3) of P.L. 106-224, 114 Stat. 405, June 20, 2000, added para. (2) and made a conforming amendment to para. (1).

¹³⁵⁻⁴ Sec. 1205(f)(2)(A) of the Farm Security and Rural Investment Act of 2002, P.L. 107-171, 116 Stat. 159, May 13, 2002, amended para. (2) by striking “2000 crop year” and inserting “2000 and 2001 crop years”.

¹³⁵⁻⁵ Sec. 206(b) of P.L. 106-224, 114 Stat. 405, June 20, 2000, amended paragraph (2) by striking “that the producers on a farm are eligible to place under loan but for which the producers forgo obtaining the loan in return for payments under this section.” and inserting “produced by the eligible producers, excluding any quantity for which the producers obtain a loan under section 131.”.

¹³⁵⁻⁶ Subsecs. (e) and (f) added by sec. 206(c) of P.L. 106-224, 114 Stat. 405, June 20, 2000.

producer has a beneficial interest in the commodity, as determined by the Secretary.

(g)¹³⁵⁻⁷ **EFFECTIVE DATE FOR PAYMENT RATE DETERMINATION.**—For the 2001 crop year, the Secretary shall determine the amount of the loan deficiency payment to be made under this section to the producers on a farm with respect to a quantity of a loan commodity using the payment rate in effect under subsection (c) as of the earlier of the following:

(1) The date on which the producers marketed or otherwise lost beneficial interest in the crop of the loan commodity, as determined by the Secretary.

(2) The date the producers requested the payment.

SEC. 136. [7 U.S.C. 7236] SPECIAL MARKETING LOAN PROVISIONS FOR UPLAND COTTON.¹³⁶⁻¹

(a)¹³⁶⁻² **COTTON USER MARKETING CERTIFICATES.**—

(1) **ISSUANCE.**—During¹³⁶⁻³ the period ending July 31, 2003, the Secretary shall issue marketing certificates or cash payments, at the option of the recipient,¹³⁶⁻⁴ to domestic users and exporters for documented purchases by domestic users and sales for export by exporters made in the week following a consecutive 4-week period in which—

(A) the Friday through Thursday average price quotation for the lowest-priced United States growth, as quoted for Middling (M) 1³/₃₂-inch cotton, delivered C.I.F. Northern Europe exceeds the Northern Europe price by more than 1.25 cents¹³⁶⁻⁵ per pound; and

(B) the prevailing world market price for upland cotton (adjusted to United States quality and location) does not exceed 134¹³⁶⁻⁶ percent of the loan rate for upland cotton established under section 132.

(2) **VALUE OF CERTIFICATES OR PAYMENTS.**—The value of the marketing certificates or cash payments shall be based on the amount of the difference (reduced by 1.25 cents¹³⁶⁻⁷ per pound) in the prices during the 4th week of the consecutive 4-week pe-

¹³⁵⁻⁷ Subsec. (g) added by sec. 1205(f)(2) of the Farm Security and Rural Investment Act of 2002, P.L. 107-171, 116 Stat. 159, May 13, 2002.

¹³⁶⁻¹ Sec. 1207 of the Farm Security and Rural Investment Act of 2002 (7 U.S.C. 7937; P.L. 107-171, 116 Stat. 161, May 13, 2002) contains provisions that are substantively similar to this section, other than later expiration dates in, and subsecs. (a)(4) and (b)(1)(E) of, sec. 1207 of that Act. Since sec. 1207 of that Act was enacted later in time than this sec., it is the probable intent of Congress that sec. 1207 of that Act supersedes this sec.

¹³⁶⁻² Effective October 1, 1998, sec. 731 of P.L. 105-86, 111 Stat. 2079, Nov. 18, 1997, struck former para. (4) and redesignated former para. (5) as former para. (4). Sec. 806(a)(4) of the Agriculture, Rural Development, Food and Drug Administration, and Related Agencies Appropriations Act, 2000 (7 U.S.C. 1421 note; P.L. 106-78; 113 Stat. 1179; Oct. 22, 1999) struck former para. (4).

¹³⁶⁻³ Effective October 1, 1998, sec. 731(1)(A) of P.L. 105-86, 111 Stat. 2079, Nov. 18, 1997, amended para. (1) by striking "Subject to paragraph (4), during" and inserting "During".

¹³⁶⁻⁴ Sec. 806(a)(1) of the Agriculture, Rural Development, Food and Drug Administration, and Related Agencies Appropriations Act, 2000 (7 U.S.C. 1421 note; P.L. 106-78; 113 Stat. 1179; Oct. 22, 1999) amended para. (1) by striking "or cash payments" and inserting "or cash payments, at the option of the recipient,".

¹³⁶⁻⁵ Sec. 762 of the Agriculture, Rural Development, Food and Drug Administration, and Related Agencies Appropriations Act, 1999, P.L. 105-277, 112 Stat. 2681-36, Oct. 21, 1998, amended subsecs. (a) and (b) by striking "1.25 cents" each place it appears and inserting "3 cents". Sec. 806(a)(2) of the Agriculture, Rural Development, Food and Drug Administration, and Related Agencies Appropriations Act, 2000 (7 U.S.C. 1421 note; P.L. 106-78; 113 Stat. 1179; Oct. 22, 1999) amended subsec. (a) by striking "3 cents per pound" each place it appears and inserting "1.25 cents per pound".

¹³⁶⁻⁶ Effective October 1, 1998, sec. 731(1)(B) of P.L. 105-86, 111 Stat. 2079, Nov. 18, 1997, amended subpara. (B) by striking "130" and inserting "134".

¹³⁶⁻⁷ See note 136-5.

riod multiplied by the quantity of upland cotton included in the documented sales.

(3) ADMINISTRATION OF MARKETING CERTIFICATES.—

(A) REDEMPTION, MARKETING, OR EXCHANGE.—The Secretary shall establish procedures for redeeming marketing certificates for cash or marketing or exchange of the certificates for agricultural commodities owned by the Commodity Credit Corporation or pledged to the Commodity Credit Corporation as collateral for a loan in such manner, and at such price levels, as the Secretary determines will best effectuate the purposes of cotton user marketing certificates, including enhancing the competitiveness and marketability of United States cotton.¹³⁶⁻⁸ Any price restrictions that would otherwise apply to the disposition of agricultural commodities by the Commodity Credit Corporation shall not apply to the redemption of certificates under this subsection.

(B) DESIGNATION OF COMMODITIES AND PRODUCTS.—To the extent practicable, the Secretary shall permit owners of certificates to designate the commodities and products, including storage sites, the owners would prefer to receive in exchange for certificates.¹³⁶⁻⁹

(C) TRANSFERS.—Marketing certificates issued to domestic users and exporters of upland cotton may be transferred to other persons in accordance with regulations issued by the Secretary.

(b) SPECIAL IMPORT QUOTA.—

(1)¹³⁶⁻¹⁰ ESTABLISHMENT.—

(A) IN GENERAL.—The President shall carry out an import quota program during the period ending July 31, 2003, as provided in this subsection.

(B) PROGRAM REQUIREMENTS.—Except as provided in subparagraph (C), whenever the Secretary determines and announces that for any consecutive 4-week period, the Friday through Thursday average price quotation for the lowest-priced United States growth, as quoted for Middling (M) 1³/₃₂-inch cotton, delivered C.I.F. Northern Europe, adjusted for the value of any certificate issued under subsection (a), exceeds the Northern Europe price by more than 1.25 cents per pound, there shall immediately be in effect a special import quota.

(C) TIGHT DOMESTIC SUPPLY.—During any month for which the Secretary estimates the season-ending United States upland cotton stocks-to-use ratio, as determined under subparagraph (D), to be below 16 percent, the Sec-

¹³⁶⁻⁸ Sec. 806(a)(3)(A) of the Agriculture, Rural Development, Food and Drug Administration, and Related Agencies Appropriations Act, 2000 (7 U.S.C. 1421 note; P.L. 106-78; 113 Stat. 1179; Oct. 22, 1999) amended subpara. (A) by striking "owned by the Commodity Credit Corporation in such manner, and at such price levels, as the Secretary determines will best effectuate the purposes of cotton user marketing certificates" and inserting "owned by the Commodity Credit Corporation or pledged to the Commodity Credit Corporation as collateral for a loan in such manner, and at such price levels, as the Secretary determines will best effectuate the purposes of cotton user marketing certificates, including enhancing the competitiveness and marketability of United States cotton".

¹³⁶⁻⁹ Sec. 806(a)(3)(B) of the Agriculture, Rural Development, Food and Drug Administration, and Related Agencies Appropriations Act, 2000 (7 U.S.C. 1421 note; P.L. 106-78; 113 Stat. 1179; Oct. 22, 1999) amended this subpara. by striking the second sentence.

¹³⁶⁻¹⁰ Sec. 806(b)(1) of the Agriculture, Rural Development, Food and Drug Administration, and Related Agencies Appropriations Act, 2000 (7 U.S.C. 1421 note; P.L. 106-78; 113 Stat. 1179; Oct. 22, 1999) amended para. (1) in its entirety. For previous amendment, see note 136-5.

retary, in making the determination under subparagraph (B), shall not adjust the Friday through Thursday average price quotation for the lowest-priced United States growth, as quoted for Middling (M) $1\frac{3}{32}$ -inch cotton, delivered C.I.F. Northern Europe, for the value of any certificates issued under subsection (a).

(D) SEASON-ENDING UNITED STATES STOCKS-TO-USE RATIO.—For the purposes of making estimates under subparagraph (C), the Secretary shall, on a monthly basis, estimate and report the season-ending United States upland cotton stocks-to-use ratio, excluding projected raw cotton imports but including the quantity of raw cotton that has been imported into the United States during the marketing year.

(2) QUANTITY.—The quota shall be equal to 1 week's consumption of upland cotton by domestic mills at the seasonally adjusted average rate of the most recent 3 months for which data are available.

(3) APPLICATION.—The quota shall apply to upland cotton purchased not later than 90 days after the date of the Secretary's announcement under paragraph (1) and entered into the United States not later than 180 days after the date.

(4) OVERLAP.—A special quota period may be established that overlaps any existing quota period if required by paragraph (1), except that a special quota period may not be established under this subsection if a quota period has been established under subsection (c).

(5) PREFERENTIAL TARIFF TREATMENT.—The quantity under a special import quota shall be considered to be an in-quota quantity for purposes of—

(A) section 213(d) of the Caribbean Basin Economic Recovery Act (19 U.S.C. 2703(d));

(B) section 204 of the Andean Trade Preference Act (19 U.S.C. 3203);

(C) section 503(d) of the Trade Act of 1974 (19 U.S.C. 2463(d)); and

(D) General Note 3(a)(iv) to the Harmonized Tariff Schedule.

(6) DEFINITION.—In this subsection, the term “special import quota” means a quantity of imports that is not subject to the over-quota tariff rate of a tariff-rate quota.

(7) ¹³⁶⁻¹¹ LIMITATION.—The quantity of cotton entered into the United States during any marketing year under the special import quota established under this subsection may not exceed the equivalent of 5 week's consumption of upland cotton by domestic mills at the seasonally adjusted average rate of the 3 months immediately preceding the first special import quota established in any marketing year.

(c) LIMITED GLOBAL IMPORT QUOTA FOR UPLAND COTTON.—

(1) IN GENERAL.—The President shall carry out an import quota program that provides that whenever the Secretary determines and announces that the average price of the base quality of upland cotton, as determined by the Secretary, in the designated spot markets for a month exceeded 130 percent of the

¹³⁶⁻¹¹ Para. (7) added by sec. 806(b)(2) of the Agriculture, Rural Development, Food and Drug Administration, and Related Agencies Appropriations Act, 2000 (7 U.S.C. 1421 note; P.L. 106-78; 113 Stat. 1179; Oct. 22, 1999).

average price of such quality of cotton in the markets for the preceding 36 months, notwithstanding any other provision of law, there shall immediately be in effect a limited global import quota subject to the following conditions:

(A) QUANTITY.—The quantity of the quota shall be equal to 21 days of domestic mill consumption of upland cotton at the seasonally adjusted average rate of the most recent 3 months for which data are available.

(B) QUANTITY IF PRIOR QUOTA.—If a quota has been established under this subsection during the preceding 12 months, the quantity of the quota next established under this subsection shall be the smaller of 21 days of domestic mill consumption calculated under subparagraph (A) or the quantity required to increase the supply to 130 percent of the demand.

(C) PREFERENTIAL TARIFF TREATMENT.—The quantity under a limited global import quota shall be considered to be an in-quota quantity for purposes of—

(i) section 213(d) of the Caribbean Basin Economic Recovery Act (19 U.S.C. 2703(d));

(ii) section 204 of the Andean Trade Preference Act (19 U.S.C. 3203);

(iii) section 503(d) of the Trade Act of 1974 (19 U.S.C. 2463(d)); and

(iv) General Note 3(a)(iv) to the Harmonized Tariff Schedule.

(D) DEFINITIONS.—In this subsection:

(i) SUPPLY.—The term “supply” means, using the latest official data of the Bureau of the Census, the Department of Agriculture, and the Department of the Treasury—

(I) the carry-over of upland cotton at the beginning of the marketing year (adjusted to 480-pound bales) in which the quota is established;

(II) production of the current crop; and

(III) imports to the latest date available during the marketing year.

(ii) DEMAND.—The term “demand” means—

(I) the average seasonally adjusted annual rate of domestic mill consumption during the most recent 3 months for which data are available; and

(II) the larger of—

(aa) average exports of upland cotton during the preceding 6 marketing years; or

(bb) cumulative exports of upland cotton plus outstanding export sales for the marketing year in which the quota is established.

(iii) LIMITED GLOBAL IMPORT QUOTA.—The term “limited global import quota” means a quantity of imports that is not subject to the over-quota tariff rate of a tariff-rate quota.

(E) QUOTA ENTRY PERIOD.—When a quota is established under this subsection, cotton may be entered under the quota during the 90-day period beginning on the date the quota is established by the Secretary.

(2) *NO OVERLAP.*—Notwithstanding paragraph (1), a quota period may not be established that overlaps an existing quota period or a special quota period established under subsection (b).

SEC. 136A. [7 U.S.C. 7236a] SPECIAL COMPETITIVE PROVISIONS FOR EXTRA LONG STAPLE COTTON. ^{136A-1}

(a) *COMPETITIVENESS PROGRAM.*—Notwithstanding any other provision of law, during the period beginning on October 1, 1999, and ending on July 31, 2003, the Secretary shall carry out a program to maintain and expand the domestic use of extra long staple cotton produced in the United States, to increase exports of extra long staple cotton produced in the United States, and to ensure that extra long staple cotton produced in the United States remains competitive in world markets.

(b) *PAYMENTS UNDER PROGRAM; TRIGGER.*—Under the program, the Secretary shall make payments available under this section whenever—

(1) for a consecutive 4-week period, the world market price for the lowest priced competing growth of extra long staple cotton (adjusted to United States quality and location and for other factors affecting the competitiveness of such cotton), as determined by the Secretary, is below the prevailing United States price for a competing growth of extra long staple cotton; and

(2) the lowest priced competing growth of extra long staple cotton (adjusted to United States quality and location and for other factors affecting the competitiveness of such cotton), as determined by the Secretary, is less than 134 percent of the loan rate for extra long staple cotton.

(c) *ELIGIBLE RECIPIENTS.*—The Secretary shall make payments available under this section to domestic users of extra long staple cotton produced in the United States and exporters of extra long staple cotton produced in the United States who enter into an agreement with the Commodity Credit Corporation to participate in the program under this section.

(d) *PAYMENT AMOUNT.*—Payments under this section shall be based on the amount of the difference in the prices referred to in subsection (b)(1) during the fourth week of the consecutive 4-week period multiplied by the amount of documented purchases by domestic users and sales for export by exporters made in the week following such a consecutive 4-week period.

(e) *FORM OF PAYMENT.*—Payments under this section shall be made through the issuance of cash or marketing certificates, at the option of eligible recipients of the payments.

SEC. 137. [7 U.S.C. 7237] AVAILABILITY OF RECOURSE LOANS FOR HIGH MOISTURE FEED GRAINS AND SEED COTTON AND OTHER FIBERS. ¹³⁷⁻¹

(a) *HIGH MOISTURE FEED GRAINS.*—

^{136A-1} Sec. 136A added by sec. 104(c) of H.R. 3425 of the 106th Congress, as enacted by sec. 1000(a)(5) of div. B of P.L. 106-113 (113 Stat. 1536).

Sec. 1208 of the Farm Security and Rural Investment Act of 2002 (7 U.S.C. 7938; P.L. 107-171, 116 Stat. 164, May 13, 2002) contains provisions that are substantively similar to this section, other than later expiration dates in sec. 1208 of that Act. Since sec. 1208 of that Act was enacted later in time than this sec., it is the probable intent of Congress that sec. 1208 of that Act supersedes this sec.

¹³⁷⁻¹ Sec. 1209(d) of the Farm Security and Rural Investment Act of 2002 (7 U.S.C. 7939(d)) provides that, notwithstanding this sec., recourse loans shall not be made for the 2002 crop of corn, grain sorghum, and seed cotton under this sec.

Sec. 1126(1) of the Agriculture, Rural Development, Food and Drug Administration, and Related Agencies Appropriations Act, 1999, P.L. 105-277, 112 Stat. 2681-46, Oct. 21, 1998,

(1) *RECOURSE LOANS AVAILABLE.*—For each of the 1996 through 2002 crops of corn and grain sorghum, the Secretary shall make available recourse loans, as determined by the Secretary, to producers on a farm containing eligible cropland covered by a production flexibility contract who—

(A) normally harvest all or a portion of their crop of corn or grain sorghum in a high moisture state;

(B) present—

(i) certified scale tickets from an inspected, certified commercial scale, including a licensed warehouse, feedlot, feed mill, distillery, or other similar entity approved by the Secretary, pursuant to regulations issued by the Secretary; or

(ii) field or other physical measurements of the standing or stored crop in regions of the United States, as determined by the Secretary, that do not have certified commercial scales from which certified scale tickets may be obtained within reasonable proximity of harvest operation;

(C) certify that they were the owners of the feed grain at the time of delivery to, and that the quantity to be placed under loan under this subsection was in fact harvested on the farm and delivered to, a feedlot, feed mill, or commercial or on-farm high-moisture storage facility, or to a facility maintained by the users of corn and grain sorghum in a high moisture state; and

(D) comply with deadlines established by the Secretary for harvesting the corn or grain sorghum and submit applications for loans under this subsection within deadlines established by the Secretary.

(2) *ELIGIBILITY OF ACQUIRED FEED GRAINS.*—A loan under this subsection shall be made on a quantity of corn or grain sorghum of the same crop acquired by the producer equivalent to a quantity determined by multiplying—

(A) the acreage of the corn or grain sorghum in a high moisture state harvested on the producer's farm; by

(B) the lower of the farm program payment yield or the actual yield on a field, as determined by the Secretary, that is similar to the field from which the corn or grain sorghum was obtained.

(3) *HIGH MOISTURE STATE DEFINED.*—In this subsection, the term “high moisture state” means corn or grain sorghum having a moisture content in excess of Commodity Credit Corporation standards for marketing assistance loans made by the Secretary under section 131.

(b) *RECOURSE LOANS AVAILABLE FOR SEED COTTON.*—

(1) *UPLAND COTTON.*—For each of the 1996 through 2002 crops of upland cotton, the Secretary shall make available recourse seed cotton loans, as determined by the Secretary, to producers on a farm containing eligible cropland covered by a production flexibility contract.

(2) *EXTRA LONG STAPLE COTTON.*—For each of the 1996 through 2002 crops of extra long staple cotton, the Secretary

amended this section heading by inserting “**AND OTHER FIBERS**” before the period at the end.

shall make available recourse seed cotton loans, as determined by the Secretary, on any production.

(c) ¹³⁷⁻² **RECOURSE LOANS AVAILABLE FOR MOHAIR.**—

(1) **RECOURSE LOANS AVAILABLE.**—*Notwithstanding any other provision of law, during fiscal year 1999, the Secretary shall make available recourse loans, as determined by the Secretary, to producers of mohair produced during or before that fiscal year.*

(2) **LOAN RATE.**—*The loan rate for a loan under paragraph (1) shall be equal to \$2.00 per pound.*

(3) **TERM OF LOAN.**—*A loan under paragraph (1) shall have a term of 1 year beginning on the first day of the first month after the month in which the loan is made.*

(4) **WAIVER OF INTEREST.**—*Notwithstanding subsection (d), the Secretary shall not charge interest on a loan made under paragraph (1).*

(d) ¹³⁷⁻³ **REPAYMENT RATES.**—*Repayment of a recourse loan made under this section shall be at the loan rate established for the commodity by the Secretary, plus interest (as determined by the Secretary).*

Subtitle D—Other Commodities

CHAPTER 1—DAIRY

SEC. 141. [7 U.S.C. 7251] MILK PRICE SUPPORT PROGRAM.

(a) **SUPPORT ACTIVITIES.**—*The Secretary of Agriculture shall support the price of milk produced in the 48 contiguous States through the purchase of cheese, butter, and nonfat dry milk produced from the milk.*

(b) **RATE.**—*The price of milk shall be supported at the following rates per hundredweight for milk containing 3.67 percent butterfat:*

(1) *During calendar year 1996, \$10.35.*

(2) *During calendar year 1997, \$10.20.*

(3) *During calendar year 1998, \$10.05.*

(4) *During each of calendar years 1999 through 2001,* ¹⁴¹⁻¹ *\$9.90.*

(5) ¹⁴¹⁻² *During the period beginning on January 1, 2002, and ending on May 31, 2002, \$9.90.*

(c) **PURCHASE PRICES.**—*The support purchase prices under this section for each of the products of milk (butter, cheese, and nonfat*

¹³⁷⁻² Sec. 1126 of the Agriculture, Rural Development, Food and Drug Administration, and Related Agencies Appropriations Act, 1999, P.L. 105-277, 112 Stat. 2681-46, Oct. 21, 1998, redesignated former subsec. (c) as subsec. (d) and added a new subsec. (c).

Sec. 801(h) of the Agriculture, Rural Development, Food and Drug Administration, and Related Agencies Appropriations Act, 2000 (7 U.S.C. 1421 note; P.L. 106-78; 113 Stat. 1175; Oct. 22, 1999) authorizes the Secretary to use certain funds to make recourse loans available in accordance with this subsec. to producers of mohair produced during or before fiscal year 2000.

¹³⁷⁻³ See note 137-2.

¹⁴¹⁻¹ Sec. 807(a)(1) of the Agriculture, Rural Development, Food and Drug Administration, and Related Agencies Appropriations Act, 2000 (7 U.S.C. 1421 note; P.L. 106-78; 113 Stat. 1181; Oct. 22, 1999) amended this para. by striking “calendar year 1999” and inserting “each of calendar years 1999 and 2000”. Sec. 742(a)(1) of the Agriculture, Rural Development, Food and Drug Administration, and Related Agencies Appropriations Act, 2001 (P.L. 106-387; 114 Stat. 1549, 1549A-35; Oct. 28, 2000) amended this para. by striking “and 2000” and inserting “through 2001”.

¹⁴¹⁻² Sec. 772(a)(1) of the Agriculture, Rural Development, Food and Drug Administration, and Related Agencies Appropriations Act, 2002 (P.L. 107-76; 115 Stat. 745; Nov. 28, 2001) added para. (5).

dry milk) announced by the Secretary shall be the same for all of that product sold by persons offering to sell the product to the Secretary. The purchase prices shall be sufficient to enable plants of average efficiency to pay producers, on average, a price that is not less than the rate of price support for milk in effect under subsection (b).

(d) SPECIAL RULE FOR BUTTER AND NONFAT DRY MILK PURCHASE PRICES.—

(1) ALLOCATION OF PURCHASE PRICES.—The Secretary may allocate the rate of price support between the purchase prices for nonfat dry milk and butter in a manner that will result in the lowest level of expenditures by the Commodity Credit Corporation or achieve such other objectives as the Secretary considers appropriate. Not later than 10 days after making or changing an allocation, the Secretary shall notify the Committee on Agriculture of the House of Representatives and the Committee on Agriculture, Nutrition, and Forestry of the Senate of the allocation. Section 553 of title 5, United States Code, shall not apply with respect to the implementation of this section.

(2) TIMING OF PURCHASE PRICE ADJUSTMENTS.—The Secretary may make any such adjustments in the purchase prices for nonfat dry milk and butter the Secretary considers to be necessary not more than twice in each calendar year.

(e) REFUNDS OF 1995 AND 1996 ASSESSMENTS.—

(1) REFUND REQUIRED.—The Secretary shall provide for a refund of the entire reduction required under section 204(h)(2) of the Agricultural Act of 1949 (7 U.S.C. 1446e(h)(2)), as in effect on the day before the amendment made by subsection (g), in the price of milk received by a producer during calendar year 1995 or 1996, if the producer provides evidence that the producer did not increase marketings in calendar year 1995 or 1996 when compared to calendar year 1994 or 1995, respectively.

(2) EXCEPTION.—This subsection shall not apply with respect to a producer for a particular calendar year if the producer has already received a refund under section 204(h) of the Agricultural Act of 1949 for the same fiscal year before the effective date of this section.

(3) TREATMENT OF REFUND.—A refund under this subsection shall not be considered as any type of price support or payment for purposes of sections 1211 and 1221 of the Food Security Act of 1985 (16 U.S.C. 3811 and 3821).

(f) COMMODITY CREDIT CORPORATION.—The Secretary shall carry out the program authorized by this section through the Commodity Credit Corporation.

*(g) CONFORMING REPEAL.—*¹⁴¹⁻³

*(h)*¹⁴¹⁻⁴ *PERIOD OF EFFECTIVENESS.—This section (other than subsection (g)) shall be effective only during the period beginning on*

¹⁴¹⁻³ Sec. 141(g) repealed sec. 204 of the Agricultural Act of 1949 (7 U.S.C. 1446e).

¹⁴¹⁻⁴ Sec. 807(a)(2) of the Agriculture, Rural Development, Food and Drug Administration, and Related Agencies Appropriations Act, 2000 (7 U.S.C. 1421 note; P.L. 106-78; 113 Stat. 1181; Oct. 22, 1999) amended this subsec. by striking "1999" each place it appears and inserting "2000".

Sec. 742(a)(2) of the Agriculture, Rural Development, Food and Drug Administration, and Related Agencies Appropriations Act, 2001 (P.L. 106-387; 114 Stat. 1549, 1549A-35; Oct. 28, 2000) amended this subsec. by striking "2000" each place it appears and inserting "2001".

Sec. 772(a)(2) of the Agriculture, Rural Development, Food and Drug Administration, and Related Agencies Appropriations Act, 2002 (P.L. 107-76; 115 Stat. 745; Nov. 28, 2001)

Continued

the first day of the first month beginning after the date of enactment of this title and ending on May 31, 2002. The program authorized by this section shall terminate on May 31, 2002, and shall be considered to have expired notwithstanding section 257 of the Balanced Budget and Emergency Deficit Control Act of 1985 (2 U.S.C. 907).

[SEC. 142. [7 U.S.C. 7252] RECOURSE LOAN PROGRAM FOR COMMERCIAL PROCESSORS OF DAIRY PRODUCTS. ¹⁴²⁻¹]

SEC. 143. [7 U.S.C. 7253] CONSOLIDATION AND REFORM OF FEDERAL MILK MARKETING ORDERS. ¹⁴³⁻¹

(a) AMENDMENT OF ORDERS.—

(1) REQUIRED CONSOLIDATION.—*The Secretary shall amend Federal milk marketing orders issued under section 8c of the Agricultural Adjustment Act (7 U.S.C. 608c), reenacted with amendments by the Agricultural Marketing Agreement Act of 1937, to limit the number of Federal milk marketing orders to not less than 10 and not more than 14 orders.*

(2) INCLUSION OF CALIFORNIA AS SEPARATE ORDER.—*Upon the petition and approval of California dairy producers in the manner provided in section 8c of the Agricultural Adjustment Act (7 U.S.C. 608c), reenacted with amendments by the Agricultural Marketing Agreement Act of 1937, the Secretary shall designate the State of California as a separate Federal milk marketing order. The order covering California shall have the right to reblend and distribute order receipts to recognize quota value.*

(3) RELATED ISSUES ADDRESSED IN CONSOLIDATION.—*Among the issues the Secretary is authorized to implement as part of the consolidation of Federal milk marketing orders are the following:*

(A) *The use of utilization rates and multiple basing points for the pricing of fluid milk.*

(B) *The use of uniform multiple component pricing when developing 1 or more basic formula prices for manufacturing milk.*

(4) EFFECT OF EXISTING LAW.—*In implementing the consolidation of Federal milk marketing orders and related reforms under this subsection, the Secretary may not consider, or base*

amended this subsec. by striking “December 31, 2001” both places it appears and inserting “May 31, 2002”.

¹⁴²⁻¹ Sec. 142 was repealed by sec. 772(b) of the Agriculture, Rural Development, Food and Drug Administration, and Related Agencies Appropriations Act, 2002 (P.L. 107-76; 115 Stat. 745; Nov. 28, 2001). Sec. 142 was earlier extended by sec. 807(b) of the Agriculture, Rural Development, Food and Drug Administration, and Related Agencies Appropriations Act, 2000 (7 U.S.C. 1421 note; P.L. 106-78; 113 Stat. 1181; Oct. 22, 1999) and sec. 742(b) of the Agriculture, Rural Development, Food and Drug Administration, and Related Agencies Appropriations Act, 2001 (P.L. 106-387; 114 Stat. 1549, 1549A-35; Oct. 28, 2000).

¹⁴³⁻¹ Sec. 738 of the Agriculture, Rural Development, Food and Drug Administration, and Related Agencies Appropriations Act, 1999, P.L. 105-277, 112 Stat. 2681-30, Oct. 21, 1998, provides that none of the funds appropriated or otherwise made available to the Secretary by that Act, any other Act, or any other source may be used to—

(1) *issue the final rule to implement the amendments to Federal milk marketing orders required by paragraph (1) of this subsection, other than during the period of February 1, 1999, through April 4, 1999, and only if the actual implementation of the amendments as part of Federal milk marketing orders takes effect on October 1, 1999, notwithstanding the penalties that would otherwise be imposed under subsection (c) of this section; or*

(2) *to designate the State of California as a separate Federal milk marketing order under paragraph (2) of this subsection, other than during the period beginning on the date of the issuance of the final rule referred to in subsection (a) through September 30, 1999.*

Secs. 1 and 2 of H.R. 3428 of the 106th Congress, as enacted by sec. 1000(a)(8) of div. B of P.L. 106-113 (113 Stat. 1536), require the use of Option 1A as the price structure for class I milk under consolidated Federal milk marketing orders and require further rule-making to develop pricing methods for class III and class IV milk under marketing orders.

any decision on, the table contained in section 8c(5)(A) of the Agricultural Adjustment Act (7 U.S.C. 608c(5)(A)), reenacted with amendments by the Agricultural Marketing Agreement Act of 1937, as added by section 131 of the Food Security Act of 1985.

(b) *EXPEDITED PROCESS.*—

(1) *USE OF INFORMAL RULEMAKING.*—To implement the consolidation of Federal milk marketing orders and related reforms under subsection (a), the Secretary shall use the notice and comment procedures provided in section 553 of title 5, United States Code.

(2) *TIME LIMITATIONS.*—

(A) *PROPOSED AMENDMENTS.*—The Secretary shall announce the proposed amendments to be made under subsection (a) not later than 2 years after the date of enactment of this title.

(B) *FINAL AMENDMENTS.*—The Secretary shall implement the amendments not later than 3 years after the date of enactment of this title.

(3) *EFFECT OF COURT ORDER.*—The actions authorized by this subsection are intended to ensure the timely publication and implementation of new and amended Federal milk marketing orders. In the event that the Secretary is enjoined or otherwise restrained by a court order from publishing or implementing the consolidation and related reforms under subsection (a), the length of time for which that injunction or other restraining order is effective shall be added to the time limitations specified in paragraph (2) thereby extending those time limitations by a period of time equal to the period of time for which the injunction or other restraining order is effective.

(c) *FAILURE TO TIMELY CONSOLIDATE ORDERS.*—If the Secretary fails to implement the consolidation required under subsection (a)(1) within the time period required under subsection (b)(2)(B) (plus any additional period provided under subsection (b)(3)), the Secretary may not assess or collect assessments from milk producers or handlers under such section 8c for marketing order administration and services provided under such section after the end of that period until the consolidation is completed. The Secretary may not reduce the level of services provided under the section on account of the prohibition against assessments, but shall rather cover the cost of marketing order administration and services through funds available for the Agricultural Marketing Service of the Department.

(d) *REPORT REGARDING FURTHER REFORMS.*—

(1) *REPORT REQUIRED.*—Not later than April 1, 1997, the Secretary shall submit to Congress a report—

(A) reviewing the Federal milk marketing order system established pursuant to section 8c of the Agricultural Adjustment Act (7 U.S.C. 608c), reenacted with amendments by the Agricultural Marketing Agreement Act of 1937, in light of the reforms required by subsection (a);

(B) describing the efforts underway and the progress made in implementing the reforms required by subsection (a); and

(C) containing such recommendations as the Secretary considers appropriate for further improvements and reforms to the Federal milk marketing order system.

(2) *EFFECT OF OTHER LAWS.*—Any limitation imposed by Act of Congress on the conduct or completion of reports to Congress shall not apply to the report required under this section, unless the limitation specifically refers to this section.

SEC. 144. [7 U.S.C. 7254] EFFECT ON FLUID MILK STANDARDS IN STATE OF CALIFORNIA.

Nothing in this Act or any other provision of law shall be construed to preempt, prohibit, or otherwise limit the authority of the State of California, directly or indirectly, to establish or continue to effect any law, regulation, or requirement regarding—

(1) the percentage of milk solids or solids not fat in fluid milk products sold at retail or marketed in the State of California; or

(2) the labeling of such fluid milk products with regard to milk solids or solids not fat.

SEC. 145. [7 U.S.C. 7255] MILK MANUFACTURING MARKETING ADJUSTMENT.

(a) *MAXIMUM ALLOWANCES ESTABLISHED.*—No State shall provide for a manufacturing allowance for the processing of milk in excess of—

(1) \$1.65 per hundredweight of milk for milk manufactured into butter and nonfat dry milk; and

(2) \$1.80 per hundredweight of milk for milk manufactured into cheese.

(b) *MANUFACTURING ALLOWANCE DEFINED.*—In this section, the term “manufacturing allowance” means—

(1) the amount by which the product price value of butter and nonfat dry milk manufactured from a hundred pounds of milk containing 3.5 pounds of butterfat and 8.7 pounds of milk solids not fat resulting from a State’s yield and product price formulas exceeds the class price for the milk used to produce those products; or

(2) the amount by which the product price value of cheese manufactured from a hundred pounds of milk containing 3.5 pounds of butterfat and 8.7 pounds of milk solids not fat resulting from a State’s yield and product price formulas exceeds the class price for the milk used to produce cheese.

(c) *EFFECT OF VIOLATION.*—If the Secretary determines following a hearing that a State has in effect a manufacturing allowance that exceeds the manufacturing allowance authorized in subsection (a), the Secretary shall suspend purchases of cheddar cheese, butter, and nonfat dry milk produced in that State until such time as the State complies with such subsection.

(d) *EFFECTIVE DATE; IMPLEMENTATION.*—This section (other than subsection (e)) shall be effective during the period beginning on the first day of the first month beginning after the date of enactment of this title and ending on December 31, 1999. During that period, the Secretary may exercise the authority provided to the Secretary under this section without regard to the issuance of regulations intended to carry out this section.

(e) *CONFORMING REPEAL.*—¹⁴⁵⁻¹

¹⁴⁵⁻¹ Sec. 145(e) repealed sec. 102 of the Food, Agriculture, Conservation, and Trade Act of 1990 (7 U.S.C. 1446e-1).

SEC. 146. PROMOTION. ¹⁴⁶⁻¹**SEC. 147. [7 U.S.C. 7256] NORTHEAST INTERSTATE DAIRY COMPACT.**

Congress hereby consents to the Northeast Interstate Dairy Compact entered into among the States of Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island and Vermont as specified in section 1(b) Senate Joint Resolution 28 of the 104th Congress, as placed on the calendar of the Senate, subject to the following conditions:

(1) *FINDING OF COMPELLING PUBLIC INTEREST.*—Based upon a finding by the Secretary of a compelling public interest in the Compact region, the Secretary may grant the States that have ratified the Northeast Interstate Dairy Compact, as of the date of enactment of this title, the authority to implement the Northeast Interstate Dairy Compact.

(2) *LIMITATION ON MANUFACTURING PRICE.*—The Northeast Interstate Dairy Compact Commission shall not regulate Class II, Class III, or Class III-A milk used for manufacturing purposes or any other milk, other than Class I (fluid) milk, as defined by a Federal milk marketing order issued under section 8c of the Agricultural Adjustment Act (7 U.S.C. 608c) reenacted with amendments by the Agricultural Marketing Agreement Act of 1937.

(3) *DURATION.*—Consent for the Northeast Interstate Dairy Compact shall terminate on September 30, 2001. ¹⁴⁷⁻¹

(4) *ADDITIONAL STATES.*—Delaware, New Jersey, New York, Pennsylvania, Maryland, and Virginia are the only additional States that may join the Northeast Interstate Dairy Compact, individually or otherwise, if upon entry the State is contiguous to a participating State and if Congress consents to the entry of the State into the Compact after the date of enactment of this title.

(5) *COMPENSATION OF COMMODITY CREDIT CORPORATION.*—Before the end of each fiscal year that a Compact price regulation is in effect, the Northeast Interstate Dairy Compact Commission shall compensate the Commodity Credit Corporation for the cost of any purchases of milk and milk products by the Corporation that result from the projected rate of increase in milk production for the fiscal year within the Compact region in excess of the projected national average rate of the increase in milk production, as determined by the Secretary.

(6) *MILK MARKETING ORDER ADMINISTRATOR.*—At the request of the Northeast Interstate Dairy Compact Commission, the Administrator of the applicable Federal milk marketing order issued under section 8(c)5 of the Agricultural Adjustment Act (7 U.S.C. 608c), reenacted with amendments by the Agricultural Marketing Agreement Act of 1937, shall provide technical assistance to the Compact Commission and be compensated for that assistance.

(7) *FURTHER CONDITIONS.*—The Northeast Interstate Dairy Compact Commission shall not prohibit or in any way limit the marketing in the Compact region of any milk or milk product produced in any other production area in the United States. The

¹⁴⁶⁻¹ Sec. 146 amended secs. 1999B, 1999C, 1999N, and 1999O of the Fluid Milk Promotion Act of 1990 (7 U.S.C. 6401, 6402, 6413, and 6414).

¹⁴⁷⁻¹ Sec. 4 of H.R. 3428 of the 106th Congress, as enacted by sec. 1000(a)(8) of div. B of P.L. 106-113 (113 Stat. 1536), amended this para. by striking “concurrent with” and all that follows through the period at the end and inserting “on September 30, 2001.”

Compact Commission shall respect and abide by the ongoing procedures between Federal milk marketing orders with respect to the sharing of proceeds from sales within the Compact region of bulk milk, packaged milk, or producer milk originating from outside of the Compact region. The Compact Commission shall not use compensatory payments under section 10(6) of the Compact as a barrier to the entry of milk into the Compact region or for any other purpose. Establishment of a Compact over-order price, in itself, shall not be considered a compensatory payment or a limitation or prohibition on the marketing of milk.

SEC. 148. DAIRY EXPORT INCENTIVE PROGRAM. ¹⁴⁸⁻¹

SEC. 149. [7 U.S.C. 7257] AUTHORITY TO ASSIST IN ESTABLISHMENT AND MAINTENANCE OF ONE OR MORE EXPORT TRADING COMPANIES.

The Secretary of Agriculture shall, consistent with the obligations of the United States as a member of the World Trade Organization, provide such advice and assistance to the United States dairy industry as may be necessary to enable that industry to establish and maintain one or more export trading companies under the Export Trading Company Act of 1982 (15 U.S.C. 4001 et seq.) for the purpose of facilitating the international market development for and exportation of dairy products produced in the United States.

SEC. 150. [7 U.S.C. 7258] STANDBY AUTHORITY TO INDICATE ENTITY BEST SUITED TO PROVIDE INTERNATIONAL MARKET DEVELOPMENT AND EXPORT SERVICES.

(a) *INDICATION OF ENTITY BEST SUITED TO ASSIST INTERNATIONAL MARKET DEVELOPMENT FOR AND EXPORT OF UNITED STATES DAIRY PRODUCTS.*—The Secretary of Agriculture shall indicate which entity or entities autonomous of the Government of the United States, which seeks such a designation, is best suited to facilitate the international market development for and exportation of United States dairy products, if the Secretary determines that—

(1) *the United States dairy industry has not established an export trading company under the Export Trading Company Act of 1982 (15 U.S.C. 4001 et seq.) for the purpose of facilitating the international market development for an exportation of dairy products produced in the United States on or before June 30, 1997; or*

(2) *the quantity of exports of United States dairy products during the 12-month period preceding July 1, 1998 does not exceed the quantity of exports of United States dairy products during the 12-month period preceding July 1, 1997 by 1.5 billion pounds (milk equivalent, total solids basis).*

(b) *FUNDING OF EXPORT ACTIVITIES.*—The Secretary shall assist the entity or entities identified under subsection (a) in identifying sources of funding for the activities specified in subsection (a) from within the dairy industry and elsewhere.

(c) *APPLICATION OF SECTION.*—This section shall apply only during the period beginning on July 1, 1997 and ending on September 30, 2000.

SEC. 151. [7 U.S.C. 7259] STUDY AND REPORT REGARDING POTENTIAL IMPACT OF URUGUAY ROUND ON PRICES, INCOME, AND GOVERNMENT PURCHASES.

(a) *STUDY.*—The Secretary of Agriculture shall conduct a study, on a variety by variety of cheese basis, to determine the potential im-

¹⁴⁸⁻¹ Sec. 148 amended sec. 153 of the Food Security Act of 1985 (15 U.S.C. 713a-14).

fact on milk prices in the United States, dairy producer income, and Federal dairy program costs, of the allocation of additional cheese granted access to the United States as a result of the obligations of the United States as a member of the World Trade Organization.

(b) *REPORT.*—Not later than June 30, 1997, the Secretary shall report to the Committee on Agriculture, Nutrition, and Forestry of the Senate and the Committee on Agriculture of the House of Representatives the results of the study conducted under this section.

(c) *RULE OF CONSTRUCTION.*—Any limitation imposed by Act of Congress on the conduct or completion of studies or reports to Congress shall not apply to the study and report required under this section, unless the limitation specifically refers to this section.

SEC. 152. PROMOTION OF UNITED STATES DAIRY PRODUCTS IN INTERNATIONAL MARKETS THROUGH DAIRY PROMOTION PROGRAM. ¹⁵²⁻¹

CHAPTER 2—SUGAR ¹⁵⁵⁻¹

[SEC. 155. [7 U.S.C. 7271] PEANUT PROGRAM. ¹⁵⁵⁻²]

SEC. 156. [7 U.S.C. 7272] SUGAR PROGRAM. ¹⁵⁶⁻¹

(a) **SUGARCANE.**—The Secretary shall make loans available to processors of domestically grown sugarcane at a rate equal to 18 cents per pound for raw cane sugar.

(b) **SUGAR BEETS.**—The Secretary shall make loans available to processors of domestically grown sugar beets at a rate equal to 22.9 cents per pound for refined beet sugar.

(c) **LOAN RATE ADJUSTMENTS.**—

(1) **IN GENERAL.**—The Secretary may reduce the loan rate specified in subsection (a) for domestically grown sugarcane and subsection (b) for domestically grown sugar beets if the Secretary determines that negotiated reductions in export subsidies and domestic subsidies provided for sugar of other major sugar growing, producing, and exporting countries in the aggregate exceed the commitments made as part of the Agreement on Agriculture.

¹⁵²⁻¹ Sec. 152 amended sec. 113(e) of the Dairy Production Stabilization Act of 1983 (7 U.S.C. 4504(e)).

¹⁵⁵⁻¹ Sec. 1310(a)(3) of the Farm Security and Rural Investment Act of 2002, P.L. 107-171, 116 Stat. 182, May 13, 2002, amended the chapter heading of this chapter by striking “PEANUTS AND”.

¹⁵⁵⁻² Sec. 155 was repealed by sec. 1310(a)(1) of the Farm Security and Rural Investment Act of 2002, 116 Stat. 182, May 13, 2002. For the text of sec. 155, see pp. 1-30 to 1-35 of Agricultural Commodities Laws (as of Dec. 27, 2001).

Sec. 1310(b) of the Farm Security and Rural Investment Act of 2002 (7 U.S.C. 7960(b)) requires the Secretary to ensure that the disposal of all peanuts for which a loan for the 2001 crop of peanuts was made under sec. 155 before May 13, 2002, is carried out in a manner that prevents price disruptions in the domestic and international markets for peanuts.

¹⁵⁶⁻¹ Sec. 1401(a) of the Farm Security and Rural Investment Act of 2002, 116 Stat. 183, May 13, 2002, amended sec. 156 in its entirety. For the previous text, see pp. 1-35 to 1-38 of Agricultural Commodities Laws (as of Dec. 27, 2001). Sec. 1401(b) of that Act, 116 Stat. 187, May 13, 2002, provides that former sec. 156(f) is deemed to have been repealed effective as of October 1, 2001.

Sec. 359b(b)(1) of the Agricultural Adjustment Act of 1938 (7 U.S.C. 1359bb(b)(1)) requires the Secretary to establish allotments under sec. 359c of that Act (7 U.S.C. 1359cc) for the marketing by processors of sugar processed from sugar beets and from domestically produced sugarcane at a level that the Secretary estimates will result in no forfeitures of sugar to the Commodity Credit Corporation under the loan program for sugar established under this sec.

Sec. 359b(c) of the Agricultural Adjustment Act of 1938 (7 U.S.C. 1359bb(c)) prohibits processors of sugar beets or sugarcane from marketing a quantity of sugar in excess of their allocations and includes in the definition of “market” the forfeiture of sugar under the loan program for sugar under this sec.

(2) **EXTENT OF REDUCTION.**—The Secretary shall not reduce the loan rate under subsection (a) or (b) below a rate that provides an equal measure of support to that provided by other major sugar growing, producing, and exporting countries, based on an examination of both domestic and export subsidies subject to reduction in the Agreement on Agriculture.

(3) **ANNOUNCEMENT OF REDUCTION.**—The Secretary shall announce any loan rate reduction to be made under this subsection as far in advance as is practicable.

(4) **DEFINITIONS.**—In this subsection:

(A) **AGREEMENT ON AGRICULTURE.**—The term “Agreement on Agriculture” means the Agreement on Agriculture referred to in section 101(d)(2) of the Uruguay Round Agreements Act (19 U.S.C. 3511(d)(2)), or any amendatory or successor agreement.

(B) **MAJOR SUGAR COUNTRIES.**—The term “major sugar growing, producing, and exporting countries” means—

(i) the countries of the European Union; and

(ii) the 10 foreign countries not covered by subparagraph (A) that the Secretary determines produce the greatest quantity of sugar.

(d) **TERM OF LOANS.**—

(1) **IN GENERAL.**—A loan under this section during any fiscal year shall be made available not earlier than the beginning of the fiscal year and shall mature at the earlier of—

(A) the end of the 9-month period beginning on the first day of the first month after the month in which the loan is made; or

(B) the end of the fiscal year in which the loan is made.

(2) **SUPPLEMENTAL LOANS.**—In the case of a loan made under this section in the last 3 months of a fiscal year, the processor may repledge the sugar as collateral for a second loan in the subsequent fiscal year, except that the second loan shall—

(A) be made at the loan rate in effect at the time the second loan is made; and

(B) mature in 9 months less the quantity of time that the first loan was in effect.

(e) **LOAN TYPE; PROCESSOR ASSURANCES.**—

(1) **NONRECOURSE LOANS.**—The Secretary shall carry out this section through the use of nonrecourse loans.

(2) **PROCESSOR ASSURANCES.**—

(A) **IN GENERAL.**—The Secretary shall obtain from each processor that receives a loan under this section such assurances as the Secretary considers adequate to ensure that the processor will provide payments to producers that are proportional to the value of the loan received by the processor for the sugar beets and sugarcane delivered by producers to the processor.

(B) **MINIMUM PAYMENTS.**—

(i) **IN GENERAL.**—Subject to clause (ii), the Secretary may establish appropriate minimum payments for purposes of this paragraph.

(ii) **LIMITATION.**—In the case of sugar beets, the minimum payment established under clause (i) shall

not exceed the rate of payment provided for under the applicable contract between a sugar beet producer and a sugar beet processor.

(iii) EFFECT OF DISASTER.—The Secretary may not bar a beet sugar processor from eligibility to obtain a loan under this section because of the failure of the processor to provide the appropriate minimum payment established under this subsection if the failure—

(I) occurred during a crop year prior to the date of enactment of the Farm Security and Rural Investment Act of 2002; and

(II) was related, at least in part, to the effects of a natural disaster, including damage from freeze.

(3) ADMINISTRATION.—The Secretary may not impose or enforce any prenotification requirement, or similar administrative requirement not otherwise in effect on the date of enactment of the Farm Security and Rural Investment Act of 2002, that has the effect of preventing a processor from electing to forfeit the loan collateral (of an acceptable grade and quality) on the maturity of the loan.

(f) LOANS FOR IN-PROCESS SUGAR.—

(1) DEFINITION OF IN-PROCESS SUGARS AND SYRUPS.—In this subsection, the term “in-process sugars and syrups” does not include raw sugar, liquid sugar, invert sugar, invert syrup, or other finished product that is otherwise eligible for a loan under subsection (a) or (b).

(2) AVAILABILITY.—The Secretary shall make nonrecourse loans available to processors of a crop of domestically grown sugarcane and sugar beets for in-process sugars and syrups derived from the crop.

(3) LOAN RATE.—The loan rate shall be equal to 80 percent of the loan rate applicable to raw cane sugar or refined beet sugar, as determined by the Secretary on the basis of the source material for the in-process sugars and syrups.

(4) FURTHER PROCESSING ON FORFEITURE.—

(A) IN GENERAL.—As a condition of the forfeiture of in-process sugars and syrups serving as collateral for a loan under paragraph (2), the processor shall, within such reasonable time period as the Secretary may prescribe and at no cost to the Commodity Credit Corporation, convert the in-process sugars and syrups into raw cane sugar or refined beet sugar of acceptable grade and quality for sugars eligible for loans under subsection (a) or (b).

(B) TRANSFER TO CORPORATION.—Once the in-process sugars and syrups are fully processed into raw cane sugar or refined beet sugar, the processor shall transfer the sugar to the Commodity Credit Corporation.

(C) PAYMENT TO PROCESSOR.—On transfer of the sugar, the Secretary shall make a payment to the processor in an amount equal to the amount obtained by multiplying—

(i) the difference between—

(I) the loan rate for raw cane sugar or refined beet sugar, as appropriate; and

(II) the loan rate the processor received under paragraph (3); by

(ii) the quantity of sugar transferred to the Secretary.

(5) LOAN CONVERSION.—If the processor does not forfeit the collateral as described in paragraph (4), but instead further processes the in-process sugars and syrups into raw cane sugar or refined beet sugar and repays the loan on the in-process sugars and syrups, the processor may obtain a loan under subsection (a) or (b) for the raw cane sugar or refined beet sugar, as appropriate.

(6) TERM OF LOAN.—The term of a loan made under this subsection for a quantity of in-process sugars and syrups, when combined with the term of a loan made with respect to the raw cane sugar or refined beet sugar derived from the in-process sugars and syrups, may not exceed 9 months, consistent with subsection (d).

(g) AVOIDING FORFEITURES; CORPORATION INVENTORY DISPOSITION.—

(1) IN GENERAL.—Subject to subsection (e)(3), to the maximum extent practicable, the Secretary shall operate the program established under this section at no cost to the Federal Government by avoiding the forfeiture of sugar to the Commodity Credit Corporation.

(2) INVENTORY DISPOSITION.—

(A) IN GENERAL.—To carry out paragraph (1), the Commodity Credit Corporation may accept bids to obtain raw cane sugar or refined beet sugar in the inventory of the Commodity Credit Corporation from (or otherwise make available such commodities, on appropriate terms and conditions, to) processors of sugarcane and processors of sugar beets (acting in conjunction with the producers of the sugarcane or sugar beets processed by the processors) in return for the reduction of production of raw cane sugar or refined beet sugar, as appropriate.

(B) ADDITIONAL AUTHORITY.—The authority provided under this paragraph is in addition to any authority of the Commodity Credit Corporation under any other law.

(h) INFORMATION REPORTING.—

(1) DUTY OF PROCESSORS AND REFINERS TO REPORT.—A sugarcane processor, cane sugar refiner, and sugar beet processor shall furnish the Secretary, on a monthly basis, such information as the Secretary may require to administer sugar programs, including the quantity of purchases of sugarcane, sugar beets, and sugar, and production, importation, distribution, and stock levels of sugar.

(2) DUTY OF PRODUCERS TO REPORT.—

(A) PROPORTIONATE SHARE STATES.—As a condition of a loan made to a processor for the benefit of a producer, the Secretary shall require each producer of sugarcane located in a State (other than the Commonwealth of Puerto Rico) in which there are in excess of 250 producers of sugarcane to report, in the manner prescribed by the Secretary, the sugarcane yields and acres planted to sugarcane of the producer.

(B) OTHER STATES.—The Secretary may require each producer of sugarcane or sugar beets not covered by subparagraph (A) to report, in a manner prescribed by the Sec-

retary, the yields of, and acres planted to, sugarcane or sugar beets, respectively, of the producer.

(3) DUTY OF IMPORTERS TO REPORT.—

(A) IN GENERAL.—Except as provided in subparagraph (B), the Secretary shall require an importer of sugars, syrups, or molasses to be used for human consumption or to be used for the extraction of sugar for human consumption to report, in the manner prescribed by the Secretary, the quantities of the products imported by the importer and the sugar content or equivalent of the products.

(B) TARIFF-RATE QUOTAS.—Subparagraph (A) shall not apply to sugars, syrups, or molasses that are within the quantities of tariff-rate quotas that are subject to the lower rate of duties.

(4) PENALTY.—Any person willfully failing or refusing to furnish the information, or furnishing willfully any false information, shall be subject to a civil penalty of not more than \$10,000 for each such violation.

(5) MONTHLY REPORTS.—Taking into consideration the information received under this subsection, the Secretary shall publish on a monthly basis composite data on production, imports, distribution, and stock levels of sugar.

(i) SUBSTITUTION OF REFINED SUGAR.—For purposes of Additional U.S. Note 6 to chapter 17 of the Harmonized Tariff Schedule of the United States and the reexport programs and polyhydric alcohol program administered by the Secretary, all refined sugars (whether derived from sugar beets or sugarcane) produced by cane sugar refineries and beet sugar processors shall be fully substitutable for the export of sugar and sugar-containing products under those programs.

(j) EFFECTIVE PERIOD.—This section shall be effective only for the 1996 through 2007 crops of sugar beets and sugarcane.

Subtitle E—Administration

SEC. 161. [7 U.S.C. 7281] ADMINISTRATION.

(a) USE OF COMMODITY CREDIT CORPORATION.—The Secretary shall carry out this title through the Commodity Credit Corporation.

(b) LIMITATION ON EXPENDITURE OF COMMODITY CREDIT CORPORATION FUNDS.—¹⁶¹⁻¹

(c) DETERMINATIONS BY SECRETARY.—A determination made by the Secretary under this title shall be final and conclusive.

(d) REGULATIONS.—Not later than 90 days after the date of enactment of this title, the Secretary and the Commodity Credit Corporation, as appropriate, shall issue such regulations as are necessary to implement this title. The issuance of the regulations shall be made without regard to—

(1) the notice and comment provisions of section 553 of title 5, United States Code;

(2) the Statement of Policy of the Secretary of Agriculture effective July 24, 1971 (36 Fed. Reg. 13804) relating to notices

¹⁶¹⁻¹ Sec. 161(b) amended secs. 4, 11, and 13 of the Commodity Credit Corporation Charter Act (15 U.S.C. 714b, 714i, and 714k).

of proposed rulemaking and public participation in rulemaking;
and

(3) chapter 35 of title 44, United States Code (commonly know as the “Paperwork Reduction Act”).

SEC. 162. [7 U.S.C. 7282] ADJUSTMENTS OF LOANS.

(a) **ADJUSTMENT AUTHORITY.**—The Secretary may make appropriate adjustments in the loan rates for any commodity for differences in grade, type, quality, location, and other factors.

(b) **MANNER OF ADJUSTMENT.**—The adjustments under the authority of this section shall, to the maximum extent practicable, be made in such manner that the average loan level for the commodity will, on the basis of the anticipated incidence of the factors, be equal to the level of support determined as provided in this title and title I of the Farm Security and Rural Investment Act of 2002.¹⁶²⁻¹

(c) **ADJUSTMENT ON COUNTY BASIS.**—The Secretary may establish loan rates for a crop for producers in individual counties in a manner that results in the lowest such rate being 95 percent of the national average loan rate, except that such action shall not result in an increase in outlays. Adjustments under this subsection shall not result in an increase in the national average loan rate for any year.

SEC. 163. [7 U.S.C. 7283] COMMODITY CREDIT CORPORATION INTEREST RATE.¹⁶³⁻¹

(a)¹⁶³⁻² **IN GENERAL.**—Notwithstanding any other provision of law, the monthly Commodity Credit Corporation interest rate applicable to loans provided for agricultural commodities by the Corporation shall be 100 basis points greater than the rate determined under the applicable interest rate formula in effect on October 1, 1995.

(b)¹⁶³⁻² **SUGAR.**—For purposes of this section, raw cane sugar, refined beet sugar, and in-process sugar eligible for a loan under section 156 shall not be considered an agricultural commodity.

SEC. 164. [7 U.S.C. 7284] PERSONAL LIABILITY OF PRODUCERS FOR DEFICIENCIES.

(a) **IN GENERAL.**—Except as provided in subsection (b), no producer shall be personally liable for any deficiency arising from the sale of the collateral securing any nonrecourse loan made under this title and title I of the Farm Security and Rural Investment Act of 2002¹⁶⁴⁻¹ unless the loan was obtained through a fraudulent representation by the producer.

¹⁶²⁻¹ Sec. 1606 of the Farm Security and Rural Investment Act of 2002, 116 Stat. 218, May 13, 2002, amended this subsec. by striking “this title” and inserting “this title and title I of the Farm Security and Rural Investment Act of 2002”.

¹⁶³⁻¹ Secs. 1204 and 1307(d)(1) of the Farm Security and Rural Investment Act of 2002 (7 U.S.C. 7934, 7957(d)(1)) permit producers on a farm to repay a marketing assistance loan for loan commodities and peanuts, respectively, at a rate that is the lesser of the loan rate established for the commodities and peanuts under secs. 1202 and 1307(b), respectively, of that Act, plus interest (determined in accordance with this sec.), or a rate determined based on other specified factors.

Sec. 1209(c) of the Farm Security and Rural Investment Act of 2002 (7 U.S.C. 7939(c)) provides that repayment of a recourse loan made under sec. 1209 of that Act shall be at the loan rate established for the commodity by the Secretary, plus interest (determined in accordance with this sec.).

¹⁶³⁻² Sec. 1401(c) of the Farm Security and Rural Investment Act of 2002, 116 Stat. 187, May 13, 2002, inserted “(a) **IN GENERAL.**—” before “Notwithstanding” and added subsec. (b).

¹⁶⁴⁻¹ Sec. 1607 of the Farm Security and Rural Investment Act of 2002, 116 Stat. 218, May 13, 2002, amended this sec. by striking “this title” each places it appears and inserting “this title and title I of the Farm Security and Rural Investment Act of 2002”.

(b) LIMITATIONS.—Subsection (a) shall not prevent the Commodity Credit Corporation or the Secretary from requiring a producer to assume liability for—

(1) a deficiency in the grade, quality, or quantity of a commodity stored on a farm or delivered by the producer;

(2) a failure to properly care for and preserve a commodity;

or

(3) a failure or refusal to deliver a commodity in accordance with a program established under this title and title I of the Farm Security and Rural Investment Act of 2002.¹⁶⁴⁻¹

(c) ACQUISITION OF COLLATERAL.—In the case of a nonrecourse loan made under this title and title I of the Farm Security and Rural Investment Act of 2002¹⁶⁴⁻¹ or the Commodity Credit Corporation Charter Act (15 U.S.C. 714 et seq.), if the Commodity Credit Corporation acquires title to the unredeemed collateral, the Corporation shall be under no obligation to pay for any market value that the collateral may have in excess of the loan indebtedness.

(d) SUGARCANE AND SUGAR BEETS.—A security interest obtained by the Commodity Credit Corporation as a result of the execution of a security agreement by the processor of sugarcane or sugar beets shall be superior to all statutory and common law liens on raw cane sugar and refined beet sugar in favor of the producers of sugarcane and sugar beets and all prior recorded and unrecorded liens on the crops of sugarcane and sugar beets from which the sugar was derived.

SEC. 165. [7 U.S.C. 7285] COMMODITY CREDIT CORPORATION SALES PRICE RESTRICTIONS.

(a) GENERAL SALES AUTHORITY.—The Commodity Credit Corporation may sell any commodity owned or controlled by the Corporation at any price that the Secretary determines will maximize returns to the Corporation.

(b) NONAPPLICATION OF SALES PRICE RESTRICTIONS.—Subsection (a) shall not apply to—

(1) a sale for a new or byproduct use;

(2) a sale of peanuts or oilseeds for the extraction of oil;

(3) a sale for seed or feed if the sale will not substantially impair any loan program;

(4) a sale of a commodity that has substantially deteriorated in quality or as to which there is a danger of loss or waste through deterioration or spoilage;

(5) a sale for the purpose of establishing a claim arising out of a contract or against a person who has committed fraud, misrepresentation, or other wrongful act with respect to the commodity;

(6) a sale for export, as determined by the Corporation; and

(7) a sale for other than a primary use.

(c) PRESIDENTIAL DISASTER AREAS.—

(1) IN GENERAL.—Notwithstanding subsection (a), on such terms and conditions as the Secretary may consider in the public interest, the Corporation may make available any commodity or product owned or controlled by the Corporation for use in relieving distress—

(A) in any area in the United States (including the Virgin Islands) declared by the President to be an acute distress area because of unemployment or other economic

cause, if the President finds that the use will not displace or interfere with normal marketing of agricultural commodities; and

(B) in connection with any major disaster determined by the President to warrant assistance by the Federal Government under the Robert T. Stafford Disaster Relief and Emergency Assistance Act (42 U.S.C. 5121 et seq.).

(2) COSTS.—Except on a reimbursable basis, the Corporation shall not bear any costs in connection with making a commodity available under paragraph (1) beyond the cost of the commodity to the Corporation incurred in—

(A) the storage of the commodity; and

(B) the handling and transportation costs in making delivery of the commodity to designated agencies at 1 or more central locations in each State or other area.

(d) EFFICIENT OPERATIONS.—Subsection (a) shall not apply to the sale of a commodity the disposition of which is desirable in the interest of the effective and efficient conduct of the operations of the Corporation because of the small quantity of the commodity involved, or because of the age, location, or questionable continued storability of the commodity.

SEC. 166. [7 U.S.C. 7286] COMMODITY CERTIFICATES. ¹⁶⁶⁻¹

(a) IN GENERAL.—In making in-kind payments under subtitle C of this title and subtitle B and C of title I of the Farm Security and Rural Investment Act of 2002, ¹⁶⁶⁻² the Commodity Credit Corporation may—

(1) acquire and use commodities that have been pledged to the Commodity Credit Corporation as collateral for loans made by the Corporation;

(2) use other commodities owned by the Commodity Credit Corporation; and

(3) redeem negotiable marketing certificates for cash under terms and conditions established by the Secretary.

(b) METHODS OF PAYMENT.—The Commodity Credit Corporation may make in-kind payments—

(1) by delivery of the commodity at a warehouse or other similar facility;

(2) by the transfer of negotiable warehouse receipts;

(3) by the issuance of negotiable certificates, which the Commodity Credit Corporation shall exchange for a commodity owned or controlled by the Corporation in accordance with regulations promulgated by the Corporation; or

(4) by such other methods as the Commodity Credit Corporation determines appropriate to promote the efficient, equitable, and expeditious receipt of the in-kind payments so that

¹⁶⁶⁻¹ Sec. 166 added by sec. 812 of the Agriculture, Rural Development, Food and Drug Administration, and Related Agencies Appropriations Act, 2000 (7 U.S.C. 1421 note; P.L. 106-78; 113 Stat. 1181; Oct. 22, 1999).

Secs. 1201(c) and 1307(a)(3) of the Farm Security and Rural Investment Act of 2002 (7 U.S.C. 7931(c), 7957(a)(3)) permits the Secretary to make loans to producers on a farm that commingle their loan commodities and peanuts, respectively, with loan commodities and peanuts, respectively, of other producers in unlicensed storage facilities, if the producers obtaining the loan agree to immediately redeem the loan collateral in accordance with this sec.

¹⁶⁶⁻² Sec. 1608(1) of the Farm Security and Rural Investment Act of 2002, 116 Stat. 218, May 13, 2002, amended subsec. (a) by striking “subtitle C” and inserting “subtitle C of this title and subtitle B and C of title I of the Farm Security and Rural Investment Act of 2002”. So in original. Probably should be “subtitles B and C”.

a person receiving the payments receives the same total return as if the payments had been made in cash.

(c) ADMINISTRATION.—

(1) FORM.—At the option of a producer, the Commodity Credit Corporation shall make negotiable certificates authorized under subsection (b)(3) available to the producer, in the form of program payments or by sale, in a manner that the Corporation determines will encourage the orderly marketing of commodities pledged as collateral for loans made to producers under subtitle C of this title and subtitle B and C of title I of the Farm Security and Rural Investment Act of 2002.¹⁶⁶⁻³

(2) TRANSFER.—A negotiable certificate issued in accordance with this subsection may be transferred to another person in accordance with regulations promulgated by the Secretary.

Subtitle F—Permanent Price Support Authority

SEC. 171. [7 U.S.C. 7301] SUSPENSION AND REPEAL OF PERMANENT PRICE SUPPORT AUTHORITY.

(a) AGRICULTURAL ADJUSTMENT ACT OF 1938.—

(1) SUSPENSIONS.—*The following provisions of the Agricultural Adjustment Act of 1938 shall not be applicable to the 1996 through 2001¹⁷¹⁻¹ crops of loan commodities, peanuts, and sugar and shall not be applicable to milk during the period beginning on the date of enactment of this title and ending on December 31, 2002:*

(A) *Parts II through V of subtitle B of title III (7 U.S.C. 1326–1351).*

(B) *Subsections (a) through (j) of section 358 (7 U.S.C. 1358).*

(C) *Subsections (a) through (h) of section 358a (7 U.S.C. 1358a).*

(D) *Subsections (a), (b), (d), and (e) of section 358d (7 U.S.C. 1359).*

(E) *Part VII of subtitle B of title III (7 U.S.C. 1359aa–1359jj).*

(F) *In the case of peanuts, part I of subtitle C of title III (7 U.S.C. 1361–1368).*

(G) *In the case of upland cotton, section 377 (7 U.S.C. 1377).*

(H) *Subtitle D of title III (7 U.S.C. 1379a–1379j).*

(I) *Title IV (7 U.S.C. 1401–1407).*

(2) REPORTS AND RECORDS.—¹⁷¹⁻²

(b) AGRICULTURAL ACT OF 1949.—¹⁷¹⁻³

¹⁶⁶⁻³ Sec. 1608(2) of the Farm Security and Rural Investment Act of 2002, 116 Stat. 218, May 13, 2002, amended subsec. (c)(1) by striking “subtitle C” and inserting “subtitle C of this title and subtitle B and C of title I of the Farm Security and Rural Investment Act of 2002”. So in original. Probably should be “subtitles B and C”.

¹⁷¹⁻¹ Sec. 1602(d) of the Farm Security and Rural Investment Act of 2002, 116 Stat. 213, May 13, 2002, amended para. (1) by striking “2002” the first place appears and inserting “2001”.

¹⁷¹⁻² Sec. 171(a)(2) amended sec. 373(a) of the Agricultural Adjustment Act of 1938 (7 U.S.C. 1373(a)).

¹⁷¹⁻³ Sec. 1001(1) of the Farm Security and Rural Investment Act of 2002 (7 U.S.C. 7901(1)) defines “Agricultural Act of 1949” as the Agricultural Act of 1949, as in effect prior to the suspensions under this sec.

(1) *SUSPENSIONS.*—The following provisions of the Agricultural Act of 1949 shall not be applicable to the 1996 through 2002 crops of loan commodities, peanuts, and sugar and shall not be applicable to milk during the period beginning on the date of enactment of this title and ending on December 31, 2002:

- (A) Section 101 (7 U.S.C. 1441).
- (B) Section 103(a) (7 U.S.C. 1444(a)).
- (C) Section 105 (7 U.S.C. 1444b).
- (D) Section 107 (7 U.S.C. 1445a).
- (E) Section 110 (7 U.S.C. 1445e).
- (F) Section 112 (7 U.S.C. 1445g).
- (G) Section 115 (7 U.S.C. 1445k).
- (H) Section 201 (7 U.S.C. 1446).
- (I) Title III (7 U.S.C. 1447–1449).
- (J) Title IV (7 U.S.C. 1421–1433d), other than sections 404, 412, and 416 (7 U.S.C. 1424, 1429, and 1431).
- (K) Title V (7 U.S.C. 1461–1469).
- (L) Title VI (7 U.S.C. 1471–1471j).

(2) *REPEALS.*—The following provisions of the Agricultural Act of 1949 are repealed:

- (A) Section 101B (7 U.S.C. 1441–2).
- (B) Section 103B (7 U.S.C. 1444–2).
- (C) Section 105B (7 U.S.C. 1444f).
- (D) Section 107B (7 U.S.C. 1445–3a).
- (E) Section 108B (7 U.S.C. 1445c–3).
- (F) Section 113 (7 U.S.C. 1445h).
- (G) Subsections (b) and (c) of section 114 (7 U.S.C. 1445j).
- (H) Sections 205, 206, and 207 (7 U.S.C. 1446f, 1446g, and 1446h).
- (I) Sections 406 and 427 (7 U.S.C. 1426 and 1433f).

(3) *POTENTIAL PRICE SUPPORT FOR RICE.*—^{171–4}

(c) *SUSPENSION OF CERTAIN QUOTA PROVISIONS.*—The joint resolution entitled “A joint resolution relating to corn and wheat marketing quotas under the Agricultural Adjustment Act of 1938, as amended”, approved May 26, 1941 (7 U.S.C. 1330 and 1340), shall not be applicable to the crops of wheat planted for harvest in the calendar years 1996 through 2002.

SEC. 172. [7 U.S.C. 7302] EFFECT OF AMENDMENTS.

(a) *EFFECT ON PRIOR CROPS.*—Except as otherwise specifically provided in this title and notwithstanding any other provision of law, this title and the amendments made by this title shall not affect the authority of the Secretary to carry out a price support or production adjustment program for any of the 1991 through 1995 crops of an agricultural commodity established under a provision of law in effect immediately before the date of enactment of this title.

(b) *LIABILITY.*—A provision of this title or an amendment made by this title shall not affect the liability of any person under any provision of law as in effect before the date of enactment of this title.

^{171–4}Sec. 171(b)(3) added sec. 101(e) of the Agricultural Act of 1949 (7 U.S.C. 1441(e)).

Subtitle G—Commission on 21st Century Production Agriculture

SEC. 181. [7 U.S.C. 7311] ESTABLISHMENT.

There is established a commission to be known as the “Commission on 21st Century Production Agriculture” (in this subtitle referred to as the “Commission”).

SEC. 182. [7 U.S.C. 7312] COMPOSITION.

(a) MEMBERSHIP AND APPOINTMENT.—The Commission shall be composed of 11 members, appointed as follows:

(1) Three members shall be appointed by the President.

(2) Four members shall be appointed by the Chairman of the Committee on Agriculture of the House of Representatives in consultation with the ranking minority member of the Committee.

(3) Four members shall be appointed by the Chairman of the Committee on Agriculture, Nutrition, and Forestry of the Senate in consultation with the ranking minority member of the Committee.

(b) QUALIFICATIONS.—At least 1 of the members appointed under each of paragraphs (1), (2), and (3) of subsection (a) shall be an individual who is primarily involved in production agriculture. All other members of the Commission shall be appointed from among individuals having knowledge and experience in agricultural production, marketing, finance, or trade.

(c) TERM OF MEMBERS; VACANCIES.—A member of the Commission shall be appointed for the life of the Commission. A vacancy on the Commission shall not affect its powers, but shall be filled in the same manner as the original appointment was made.

(d) TIME FOR APPOINTMENT; FIRST MEETING.—The members of the Commission shall be appointed not later than October 1, 1997. The Commission shall convene its first meeting to carry out its duties under this subtitle 30 days after 6 members of the Commission have been appointed.

(e) CHAIRPERSON.—The chairperson of the Commission shall be designated jointly by the Chairman of the Committee on Agriculture of the House of Representatives and the Chairman of the Committee on Agriculture, Nutrition, and Forestry of the Senate from among the members of the Commission.

SEC. 183. [7 U.S.C. 7313] COMPREHENSIVE REVIEW OF PAST AND FUTURE OF PRODUCTION AGRICULTURE.

(a) INITIAL REVIEW.—The Commission shall conduct a comprehensive review of changes in the condition of production agriculture in the United States since the date of enactment of this title and the extent to which the changes are the result of this title and the amendments made by this title. The review shall include the following:

(1) An assessment of the initial success of production flexibility contracts in supporting the economic viability of farming in the United States.

(2) An assessment of economic risks to farms delineated by size of farm operation (such as small, medium, or large farms) and region of production.

(3) An assessment of the food security situation in the United States in the areas of trade, consumer prices, inter-

national competitiveness of United States production agriculture, food supplies, and humanitarian relief.

(4) An assessment of the changes in farmland values and agricultural producer incomes since the date of enactment of this title.

(5) An assessment of the extent to which regulatory relief for agricultural producers has been enacted and implemented, including the application of cost/benefit principles in the issuance of agricultural regulations.

(6) An assessment of the extent to which tax relief for agricultural producers has been enacted in the form of capital gains tax reductions, estate tax exemptions, and mechanisms to average tax loads over high- and low-income years.

(7) An assessment of the effect of any Federal Government interference in agricultural export markets, such as the imposition of trade embargoes, and the degree of implementation and success of international trade agreements and United States export programs.

(8) An assessment of the likely effect of the sale, lease, or transfer of farm poundage quota for peanuts across State lines.

(b) SUBSEQUENT REVIEW.—The Commission shall conduct a comprehensive review of the future of production agriculture in the United States and the appropriate role of the Federal Government in support of production agriculture. The review shall include the following:

(1) An assessment of changes in the condition of production agriculture in the United States since the initial review conducted under subsection (a).

(2) Identification of the appropriate future relationship of the Federal Government with production agriculture after 2002.

(3) An assessment of the personnel and infrastructure requirements of the Department of Agriculture necessary to support the future relationship of the Federal Government with production agriculture.

(4) An assessment of economic risks to farms delineated by size of farm operation (such as small, medium, or large farms) and region of production.

(c) RECOMMENDATIONS.—In carrying out the subsequent review under subsection (b), the Commission shall develop specific recommendations for legislation to achieve the appropriate future relationship of the Federal Government with production agriculture identified under subsection (a)(2).

SEC. 184. [7 U.S.C. 7314] REPORTS.

(a) REPORT ON INITIAL REVIEW.—Not later than June 1, 1998, the Commission shall submit to the President, the Committee on Agriculture of the House of Representatives, and the Committee on Agriculture, Nutrition, and Forestry of the Senate a report containing the results of the initial review conducted under section 183(a).

(b) REPORT ON SUBSEQUENT REVIEW.—Not later than January 1, 2001, the Commission shall submit to the President and the congressional committees specified in subsection (a) a report containing the results of the subsequent review conducted under section 183(b).

SEC. 185. [7 U.S.C. 7315] POWERS.

(a) HEARINGS.—The Commission may, for the purpose of carrying out this subtitle, conduct such hearings, sit and act at such

times, take such testimony, and receive such evidence, as the Commission considers appropriate.

(b) *ASSISTANCE FROM OTHER AGENCIES.—The Commission may secure directly from any department or agency of the Federal Government such information as may be necessary for the Commission to carry out its duties under this subtitle. On the request of the chairperson of the Commission, the head of the department or agency shall, to the extent permitted by law, furnish such information to the Commission.*

(c) *MAIL.—The Commission may use the United States mails in the same manner and under the same conditions as the departments and agencies of the Federal Government.*

(d) *ASSISTANCE FROM SECRETARY.—The Secretary shall provide to the Commission appropriate office space and such reasonable administrative and support services as the Commission may request.*

SEC. 186. [7 U.S.C. 7316] COMMISSION PROCEDURES.

(a) *MEETINGS.—The Commission shall meet on a regular basis (as determined by the chairperson) and at the call of the chairperson or a majority of its members.*

(b) *QUORUM.—A majority of the members of the Commission shall constitute a quorum for the transaction of business.*

SEC. 187. [7 U.S.C. 7317] PERSONNEL MATTERS.

(a) *COMPENSATION.—Each member of the Commission shall serve without compensation, but shall be allowed travel expenses including per diem in lieu of subsistence, as authorized by section 5703 of title 5, United States Code, when engaged in the performance of Commission duties.*

(b) *STAFF.—*

(1) *APPOINTMENT.—The Commission shall appoint a staff director, who shall be paid at a rate not to exceed the maximum rate of basic pay under section 5376 of title 5, United States Code, and such professional and clerical personnel as may be reasonable and necessary to enable the Commission to carry out its duties under this subtitle without regard to the provisions of title 5, United States Code, governing appointments in the competitive service, and without regard to the provisions of chapter 51 and subchapter III of chapter 53 of such title, or any other provision of law, relating to the number, classification, and General Schedule rates.*

(2) *LIMITATION ON COMPENSATION.—No employee appointed under this subsection (other than the staff director) may be compensated at a rate to exceed the maximum rate applicable to level GS-15 of the General Schedule.*

(c) *DETAILED PERSONNEL.—On the request of the chairperson of the Commission, the head of any department or agency of the Federal Government is authorized to detail, without reimbursement, any personnel of the department or agency to the Commission to assist the Commission in carrying out its duties under this section. The detail of any individual may not result in the interruption or loss of civil service status or other privilege of the individual.*

SEC. 188. [7 U.S.C. 7318] TERMINATION OF COMMISSION.

The Commission shall terminate on submission of the final report required by section 184.

Subtitle H—Miscellaneous Commodity Provisions

SEC. 191. [7 U.S.C. 7331] OPTIONS PILOT PROGRAM.

(a) PILOT PROGRAMS AUTHORIZED.—Until December 31, 2002, the Secretary of Agriculture may conduct a pilot program for 1 or more agricultural commodities supported under this title to ascertain whether futures and options contracts can provide producers with reasonable protection from the financial risks of fluctuations in price, yield, and income inherent in the production and marketing of the commodities. The pilot program shall be an alternative to other related programs of the Department of Agriculture.

(b) DISTRIBUTION OF PILOT PROGRAM.—For each agricultural commodity included in the pilot program, the Secretary may operate the pilot program in not more than 300 counties, except that not more than 25¹⁹¹⁻¹ of the counties may be located in any 1 State. The pilot program for a commodity shall not be operated in any county for more than 3 of the 1996 through 2002 calendar years.

(c) ELIGIBLE PARTICIPANTS.—In operating the pilot program, the Secretary may enter into contract with a producer who—

(1) is eligible for a production flexibility contract, a marketing assistance loan, or other assistance under this title;

(2) volunteers to participate in the pilot program during any calendar year in which a county in which the farm of the producer is located is included in the pilot program;¹⁹¹⁻²

(3) operates a farm located in a county selected for the pilot program; and

(4) meets such other eligibility requirements as the Secretary may establish.

(d) NOTICE TO PRODUCERS.—The Secretary shall provide notice to each producer participating in the pilot program that—

(1) the participation of the producer is voluntary; and

(2) neither the United States, the Commodity Credit Corporation, the Federal Crop Insurance Corporation, the Department of Agriculture, nor any other Federal agency is authorized to guarantee that participants in the pilot program will be better or worse off financially as a result of participation in the pilot program than the producer would have been if the producer had not participated in the pilot program.

(e) CONTRACTS.—The Secretary shall set forth in each contract under the pilot program the terms and conditions for participation in the pilot program and the notice required by subsection (d).

(f) ELIGIBLE MARKETS.—Trades for futures and options contracts under the pilot program shall be carried out on commodity futures and options markets designated as contract markets under the Commodity Exchange Act (7 U.S.C. 1 et seq.).

(g) RECORDKEEPING.—A producer participating in the pilot program shall compile, maintain, and submit (or authorize the com-

¹⁹¹⁻¹ Effective October 1, 2000, sec. 134(1) of P.L. 106-224, 114 Stat. 388, June 20, 2000, amended subsec. (b) by striking “100 counties, except that not more than 6” and inserting “300 counties, except that not more than 25”.

¹⁹¹⁻² Effective October 1, 2000, sec. 134(2) of P.L. 106-224, 114 Stat. 388, June 20, 2000, amended subsec. (c)(2) by inserting before the semicolon the following: “during any calendar year in which a county in which the farm of the producer is located is included in the pilot program”.

pilation, maintenance, and submission) of such documentation as the regulations governing the pilot program require.

(h) **USE OF COMMODITY CREDIT CORPORATION.**—The Secretary shall fund and operate the pilot program through the Commodity Credit Corporation, except that the amount of Commodity Credit Corporation funds used to carry out this section shall not exceed, to the maximum extent practicable, \$9,000,000 for fiscal year 2001, \$15,000,000 for fiscal year 2002, and \$2,000,000 for fiscal year 2003.¹⁹¹⁻³ To the maximum extent practicable, the Secretary shall operate the pilot program in a budget neutral manner.

(i) **CONFORMING REPEAL.**—¹⁹¹⁻⁴

SEC. 192. [7 U.S.C. 7332] RISK MANAGEMENT EDUCATION.

In consultation with the Commodity Futures Trading Commission, the Secretary shall provide such education in management of the financial risks inherent in the production and marketing of agricultural commodities as the Secretary considers appropriate. As part of such educational activities, the Secretary may develop and implement programs to facilitate the participation of agricultural producers in commodity futures trading programs, forward contracting options, and insurance protection programs by assisting and training producers in the usage of such programs. In implementing this authority, the Secretary may use existing research and extension authorities and resources of the Department of Agriculture.

SEC. 193. [7 U.S.C. 1508] CROP INSURANCE.

(a) **CATASTROPHIC RISK PROTECTION.**—

(1) **SINGLE DELIVERY.**—¹⁹³⁻¹

(2) **WAIVER OF MANDATORY LINKAGE.**—¹⁹³⁻²

(3) **SPECIAL RULE FOR 1996.**—

(A) **EFFECTIVE PERIOD.**—*This paragraph shall apply only to the 1996 crop year.*

(B) **AVAILABILITY.**—*During a period of not less than 2 weeks, but not more than 4 weeks, beginning on the date of enactment of this title, the Secretary shall provide producers with an opportunity to obtain catastrophic risk protection insurance under section 508(b) of the Federal Crop Insurance Act (7 U.S.C. 1508(b)) for a spring-planted crop, and limited additional coverage for malting barley under the Malting Barley Price and Quality Endorsement. The Federal Crop Insurance Corporation may attach such limitations and restrictions on obtaining insurance during this period as the Corporation considers necessary to maintain the actuarial soundness of the crop insurance program.*

(C) **ATTACHMENT.**—*Insurance coverage under any policy obtained under this paragraph during the extended sales period shall not attach until 10 days after the application.*

¹⁹¹⁻³ Effective October 1, 2000, sec. 134(3) of P.L. 106-224, 114 Stat. 388, June 20, 2000, amended this first sentence of subsec. (h) by inserting before the period at the end the following: “, except that the amount of Commodity Credit Corporation funds used to carry out this section shall not exceed, to the maximum extent practicable, \$9,000,000 for fiscal year 2001, \$15,000,000 for fiscal year 2002, and \$2,000,000 for fiscal year 2003”.

¹⁹¹⁻⁴ Sec. 191(i) repealed the Options Pilot Program Act of 1990 (subtitle E of title XI of Public Law 101-624; 7 U.S.C. 1421 note).

¹⁹³⁻¹ Sec. 193(a)(1) added sec. 508(b)(4)(C) of the Federal Crop Insurance Act (7 U.S.C. 1508(b)(4)(C)).

¹⁹³⁻² Sec. 193(a)(2) amended sec. 508(b)(7)(A) of the Federal Crop Insurance Act (7 U.S.C. 1508(b)(7)(A)).

(D) *CANCELLATION.*—During the extended period, a producer may cancel a catastrophic risk protection policy if—

(i) the policy is a continuation of a policy that was obtained for a previous crop year; and

(ii) the cancellation request is made before the acreage reporting date for the policy for the 1996 crop year.

(b) *CROP INSURANCE PILOT PROJECT.*—

(1) *COVERAGE.*—The Secretary of Agriculture shall develop and administer a pilot project for crop insurance coverage that indemnifies crop losses due to a natural disaster such as insect infestation or disease.

(2) *ACTUARIAL SOUNDNESS.*—A pilot project under this paragraph shall be actuarially sound, as determined by the Secretary and administered at no net cost.

(3) *DURATION.*—A pilot project under this paragraph shall be of two years' duration.

(c) *CROP INSURANCE FOR NURSERY CROPS.*—¹⁹³⁻³

(d) *MARKETING WINDOWS.*—¹⁹³⁻⁴

(e) *FUNDING.*—¹⁹³⁻⁵

(f) *LIMITATION ON MULTIPLE BENEFITS FOR SAME LOSS.*—¹⁹³⁻⁶

SEC. 194. [7 U.S.C. 6933] ESTABLISHMENT OF OFFICE OF RISK MANAGEMENT.

(a) *ESTABLISHMENT.*—¹⁹⁴⁻¹

(b) *FISCAL YEAR 1996 FUNDING.*—From funds appropriated for the salaries and expenses of the Consolidated Farm Service Agency in the Agriculture, Rural Development, Food and Drug Administration, and Related Agencies Appropriations Act, 1996 (Public Law 104-37), the Secretary of Agriculture may use such sums as necessary for the salaries and expenses of the Office of Risk Management established under subsection (a).

(c) *CONFORMING AMENDMENT.*—¹⁹⁴⁻²

SEC. 195. [7 U.S.C. 1508] REVENUE INSURANCE.¹⁹⁵⁻¹

SEC. 196. [7 U.S.C. 7333] ADMINISTRATION AND OPERATION OF NON-INSURED CROP ASSISTANCE PROGRAM.¹⁹⁶⁻¹

(a) *OPERATION AND ADMINISTRATION OF PROGRAM.*—

(1) *IN GENERAL.*—In the case of an eligible crop described in paragraph (2), the Secretary of Agriculture shall operate a

¹⁹³⁻³ Sec. 193(c) added sec. 508(a)(6)(D) of the Federal Crop Insurance Act (7 U.S.C. 1508(a)(6)(D)).

¹⁹³⁻⁴ Sec. 193(d) added sec. 508(j)(4) of the Federal Crop Insurance Act (7 U.S.C. 1508(j)(4)).

¹⁹³⁻⁵ Sec. 193(e) amended sec. 516 of the Federal Crop Insurance Act (7 U.S.C. 1516).

¹⁹³⁻⁶ Sec. 193(f) added sec. 508(n) of the Federal Crop Insurance Act (7 U.S.C. 1508(n)).

¹⁹⁴⁻¹ Sec. 194(a) added sec. 226A of the Department of Agriculture Reorganization Act of 1994 (7 U.S.C. 6933).

¹⁹⁴⁻² Sec. 194(c) struck sec. 226(b)(2) of the Department of Agriculture Reorganization Act of 1994 (7 U.S.C. 6932(b)(2)).

¹⁹⁵⁻¹ Sec. 195 added sec. 508(h)(9) of the Federal Crop Insurance Act (7 U.S.C. 1508(h)(9)).

¹⁹⁶⁻¹ Sec. 101 of H.R. 3425 of the 106th Congress, as enacted by sec. 1000(a)(5) of div. B of P.L. 106-113 (113 Stat. 1536), requires the Secretary to provide up to \$20,000,000 in assistance under the noninsured crop assistance program under this section, without any requirement for an area loss, to producers located in a county with respect to which a natural disaster was declared by the Secretary, or a major disaster or emergency was declared by the President under the Robert T. Stafford Disaster Relief and Emergency Assistance Act (42 U.S.C. 5121 et seq.).

Sec. 506(h)(3) of the Federal Crop Insurance Act (7 U.S.C. 1506(h)(3)), provides that records submitted in accordance with that Act and sec. 196 shall be available to agencies and local offices of the Department, appropriate State and Federal agencies and divisions, and approved insurance providers for use in carrying out that Act, sec. 196, and other agricultural programs.

noninsured crop disaster assistance program to provide coverage equivalent to the catastrophic risk protection otherwise available under section 508(b) of the Federal Crop Insurance Act (7 U.S.C. 1508(b)). The Secretary shall carry out this section through the Consolidated Farm Service Agency (in this section referred to as the “Agency”).

(2) **ELIGIBLE CROPS.**—

(A) **IN GENERAL.**—In this section, the term “eligible crop” means each commercial crop or other agricultural commodity (except livestock)—

(i) for which catastrophic risk protection under section 508(b) of the Federal Crop Insurance Act (7 U.S.C. 1508(b)) is not available; and

(ii) that is produced for food or fiber.

(B) **CROPS SPECIFICALLY INCLUDED.**—The term “eligible crop” shall include floricultural, ornamental nursery, and Christmas tree crops, turfgrass sod, seed crops, aquaculture (including ornamental fish), sea grass and sea oats,¹⁹⁶⁻² and industrial crops.

(C)¹⁹⁶⁻³ **COMBINATION OF SIMILAR TYPES OR VARIETIES.**—At the option of the Secretary, all types or varieties of a crop or commodity, described in subparagraphs (A) and (B), may be considered to be a single eligible crop under this section.

(3) **CAUSE OF LOSS.**—To qualify for assistance under this section, the losses of the noninsured commodity shall be due to drought, flood, or other natural disaster, as determined by the Secretary.

(b) **APPLICATION FOR NONINSURED CROP DISASTER ASSISTANCE.**—

(1) **TIMELY APPLICATION.**—To be eligible for assistance under this section, a producer shall submit an application for noninsured crop disaster assistance at a local office of the De-

Effective beginning with the 2001 crop of an agricultural commodity, sec. 508A(e) of the Federal Crop Insurance Act (7 U.S.C. 1508A(e)), provides that, except in the case of double cropping described in sec. 508A(d) of that Act, if a producer elects to plant a crop (other than a replanted crop) subsequent to a second crop on the same acreage as the first crop and second crop for harvest in the same crop year, the producer shall not be eligible for insurance under that Act, or noninsured crop assistance under this sec., for the subsequent crop.

Effective October 1, 2000, sec. 522(d) of the Federal Crop Insurance Act (7 U.S.C. 1522(d)), authorizes the Federal Crop Insurance Corporation to enter into partnerships with public and private entities for the purpose of increasing the availability of loss mitigation, financial, and other risk management tools for producers, with a priority given to risk management tools for producers of agricultural commodities covered by sec. 196, specialty crops, and underserved agricultural commodities.

Sec. 257 of P.L. 106-224, 114 Stat. 424, June 20, 2000, requires the Secretary to use not more than \$24,000,000 of funds of the Commodity Credit Corporation to compensate producers with covered land with respect to losses from long-term flooding, but excludes from the definition of “covered land” any land for which a producer is insured, enrolled, or assisted during the 2000 crop year under the noninsured crop assistance program operated under this section.

Sec. 1206(d) of the Farm Security and Rural Investment Act of 2002 (7 U.S.C. 7936(d)) provides that a 2002 through 2007 crop of wheat, barley, oats, or triticale planted on acreage that a producer elects to use for the grazing of livestock in lieu of any other harvesting of the crop shall not be eligible for an indemnity under the Federal Crop Insurance Act (7 U.S.C. 1501 et seq.) or noninsured crop assistance under this sec.

¹⁹⁶⁻² Sec. 10101 of the Farm Security and Rural Investment Act of 2002, P.L. 107-171, 116 Stat. 488, May 13, 2002, subpara. (B) by inserting “sea grass and sea oats,” after “fish).”

¹⁹⁶⁻³ Subpara. (C) added by sec. 109(a) of P.L. 106-224, 114 Stat. 371, June 20, 2000. Sec. 171(b)(2)(G) of P.L. 106-224, 114 Stat. 397, June 20, 2000, provides that the amendments made by sec. 109 apply beginning with the 2001 crop of an agricultural commodity.

partment. The application shall be in such form, contain such information, and be submitted not later than 30 days before the beginning of the coverage period, as determined by the Secretary.¹⁹⁶⁻⁴

(2)¹⁹⁶⁻⁵ RECORDS.—To be eligible for assistance under this section, a producer shall provide annually to the Secretary records of crop acreage, acreage yields, and production for each crop, as required by the Secretary.

(3) ACREAGE REPORTS.—A producer shall provide annual¹⁹⁶⁻⁶ reports on acreage planted or prevented from being planted, as required by the Secretary, by the designated acreage reporting date for the crop and location as established by the Secretary.

(c)¹⁹⁶⁻⁷ LOSS REQUIREMENTS.—

(1) CAUSE.—To be eligible for assistance under this section, a producer of an eligible crop shall have suffered a loss of a noninsured commodity as the result of a cause described in subsection (a)(3).

(2) ASSISTANCE.—On making a determination described in subsection (a)(3), the Secretary shall provide assistance under this section to producers of an eligible crop that have suffered a loss as a result of the cause described in subsection (a)(3).

(3) PREVENTED PLANTING.—Subject to paragraph (1), the Secretary shall make a prevented planting noninsured crop disaster assistance payment if the producer is prevented from planting more than 35 percent of the acreage intended for the eligible crop because of drought, flood, or other natural disaster, as determined by the Secretary.

(4) AREA TRIGGER.—The Secretary shall provide assistance to individual producers without any requirement of an area loss.

(d) PAYMENT.—The Secretary shall make available to a producer eligible for noninsured assistance under this section a payment computed by multiplying—

(1) the quantity that is less than 50 percent of the established yield for the crop; by

(2)(A) in the case of each of the 1996 through 1998 crop years, 60 percent of the average market price for the crop (or any comparable coverage determined by the Secretary); or

(B) in the case of each of the 1999 and subsequent crop years, 55 percent of the average market price for the crop (or any comparable coverage determined by the Secretary); by

¹⁹⁶⁻⁴ Sec. 109(b) of P.L. 106-224, 114 Stat. 371, June 20, 2000, amended para. (1) by striking “at such time as the Secretary may require” and inserting “not later than 30 days before the beginning of the coverage period, as determined by the Secretary”. Sec. 171(b)(2)(G) of P.L. 106-224, 114 Stat. 397, June 20, 2000, provides that the amendments made by sec. 109 apply beginning with the 2001 crop of an agricultural commodity.

¹⁹⁶⁻⁵ Sec. 109(c)(1) of P.L. 106-224, 114 Stat. 371, June 20, 2000, amended para. (2) in its entirety. Sec. 171(b)(2)(G) of P.L. 106-224, 114 Stat. 397, June 20, 2000, provides that the amendments made by sec. 109 apply beginning with the 2001 crop of an agricultural commodity.

¹⁹⁶⁻⁶ Sec. 109(c)(2) of P.L. 106-224, 114 Stat. 371, June 20, 2000, amended para. (3) by inserting “annual” after “shall provide”. Sec. 171(b)(2)(G) of P.L. 106-224, 114 Stat. 397, June 20, 2000, provides that the amendments made by sec. 109 apply beginning with the 2001 crop of an agricultural commodity.

¹⁹⁶⁻⁷ Sec. 109(d) of P.L. 106-224, 114 Stat. 371, June 20, 2000, amended subsec. (c) in its entirety. Sec. 171(b)(2)(G) of P.L. 106-224, 114 Stat. 397, June 20, 2000, provides that the amendments made by sec. 109 apply beginning with the 2001 crop of an agricultural commodity.

(3) a payment rate for the type of crop (as determined by the Secretary) that—

(A) in the case of a crop that is produced with a significant and variable harvesting expense, reflects the decreasing cost incurred in the production cycle for the crop that is—

(i) harvested;

(ii) planted but not harvested; and

(iii) prevented from being planted because of drought, flood, or other natural disaster (as determined by the Secretary); and

(B) in the case of a crop that is not produced with a significant and variable harvesting expense, as determined by the Secretary.

(e) YIELD DETERMINATIONS.—

(1) ESTABLISHMENT.—The Secretary shall establish farm yields for purposes of providing noninsured crop disaster assistance under this section.

(2) ACTUAL PRODUCTION HISTORY.—The Secretary shall determine yield coverage using the actual production history of the producer over a period of not less than the 4 previous consecutive crop years and not more than 10 consecutive crop years. Subject to paragraph (3), the yield for the year in which noninsured crop disaster assistance is sought shall be equal to the average of the actual production history of the producer during the period considered.

(3) ASSIGNMENT OF YIELD.—If a producer does not submit adequate documentation of production history to determine a crop yield under paragraph (2), the Secretary shall assign to the producer a yield equal to not less than 65 percent of the transitional yield of the producer (adjusted to reflect actual production reflected in the records acceptable to the Secretary for continuous years), as specified in regulations issued by the Secretary based on production history requirements.

(4) PROHIBITION ON ASSIGNED YIELDS IN CERTAIN COUNTIES.—

(A) IN GENERAL.—

(i) DOCUMENTATION.—If sufficient data are available to demonstrate that the acreage of a crop in a county for the crop year has increased by more than 100 percent over any year in the preceding 7 crop years or, if data are not available, if the acreage of the crop in the county has increased significantly from the previous crop years, a producer must provide such detailed documentation of production costs, acres planted, and yield for the crop year for which benefits are being claimed as is required by the Secretary. If the Secretary determines that the documentation provided is not sufficient, the Secretary may require documenting proof that the crop, had the crop been harvested, could have been marketed at a reasonable price.

(ii) PROHIBITION.—Except as provided in subparagraph (B), a producer who produces a crop on a farm located in a county described in clause (i) may not obtain an assigned yield.

(B) EXCEPTION.—A crop or a producer shall not be subject to this subsection if—

(i) the planted acreage of the producer for the crop has been inspected by a third party acceptable to the Secretary; or

(ii)(I) the County Executive Director and the State Executive Director recommend an exemption from the requirement to the Administrator of the Agency; and

(II) the Administrator approves the recommendation.

(5) LIMITATION ON RECEIPT OF SUBSEQUENT ASSIGNED YIELD.—A producer who receives an assigned yield for the current year of a natural disaster because required production records were not submitted to the local office of the Department shall not be eligible for an assigned yield for the year of the next natural disaster unless the required production records of the previous 1 or more years (as applicable) are provided to the local office.

(6) YIELD VARIATIONS DUE TO DIFFERENT FARMING PRACTICES.—The Secretary shall ensure that noninsured crop disaster assistance accurately reflects significant yield variations due to different farming practices, such as between irrigated and nonirrigated acreage.

(f) CONTRACT PAYMENTS.—A producer who has received a guaranteed payment for production, as opposed to delivery, of a crop pursuant to a contract shall have the production of the producer adjusted upward by the amount of the production equal to the amount of the contract payment received.

(g) USE OF COMMODITY CREDIT CORPORATION.—The Secretary may use the funds of the Commodity Credit Corporation to carry out this section.

(h) EXCLUSIONS.—Noninsured crop disaster assistance under this section shall not cover losses due to—

(1) the neglect or malfeasance of the producer;

(2) the failure of the producer to reseed to the same crop in those areas and under such circumstances where it is customary to reseed; or

(3) the failure of the producer to follow good farming practices, as determined by the Secretary.

(i) PAYMENT AND INCOME LIMITATIONS.—

(1) DEFINITIONS.—In this subsection:

(A) PERSON.—The term “person” has the meaning provided the term in regulations issued by the Secretary. The regulations shall conform, to the extent practicable, to the regulations defining the term “person” issued under section 1001 of the Food Security Act of 1985 (7 U.S.C. 1308).

(B) QUALIFYING GROSS REVENUES.—The term “qualifying gross revenues” means—

(i) if a majority of the gross revenue of the person is received from farming, ranching, and forestry operations, the gross revenue from the farming, ranching, and forestry operations of the person; and

(ii) if less than a majority of the gross revenue of the person is received from farming, ranching, and forestry operations, the gross revenue of the person from all sources.

(2) **PAYMENT LIMITATION.**—The total amount of payments that a person shall be entitled to receive annually under this section may not exceed \$100,000.

(3) **LIMITATION ON MULTIPLE BENEFITS FOR SAME LOSS.**—

(A) **IN GENERAL.**—Except as provided in subparagraph (B), if¹⁹⁶⁻⁸ a producer who is eligible to receive benefits under this section is also eligible to receive assistance for the same loss under any other program administered by the Secretary, the producer shall be required to elect whether to receive benefits under this section or under the other program, but not both.

(B)¹⁹⁶⁻⁹ **EXCEPTION.**—Subparagraph (A) shall not apply to emergency loans under subtitle C of the Consolidated Farm and Rural Development Act (7 U.S.C. 1961 et seq.).

(4) **INCOME LIMITATION.**—A person who has qualifying gross revenues in excess of the amount specified in section 2266(a) of the Food, Agriculture, Conservation, and Trade Act of 1990 (7 U.S.C. 1421 note) (as in effect on November 28, 1990) during the taxable year (as determined by the Secretary) shall not be eligible to receive any noninsured assistance payment under this section.

(5) **REGULATIONS.**—The Secretary shall issue regulations prescribing such rules as the Secretary determines necessary to ensure a fair and equitable application of section 1001 of the Food Security Act of 1985 (7 U.S.C. 1308), the general payment limitation regulations of the Secretary, and the limitations established under this subsection.

(j) **CONFORMING REPEAL.**—¹⁹⁶⁻¹⁰

(k)¹⁹⁶⁻¹¹ **SERVICE FEE.**—

(1) **IN GENERAL.**—To be eligible to receive assistance for an eligible crop for a crop year under this section, a producer shall pay to the Secretary (at the time at which the producer submits the application under subsection (b)(1)) a service fee for the eligible crop in an amount that is equal to the lesser of—

(A) \$100 per crop per county; or

(B) \$300 per producer per county, but not to exceed a total of \$900 per producer.

(2) **WAIVER.**—The Secretary shall waive the service fee required under paragraph (1) in the case of a limited resource farmer, as defined by the Secretary.

(3) **USE.**—The Secretary shall deposit service fees collected under this subsection in the Commodity Credit Corporation Fund.

¹⁹⁶⁻⁸ Sec. 803(b)(1) of the Agriculture, Rural Development, Food and Drug Administration, and Related Agencies Appropriations Act, 1999, P.L. 105-277, 112 Stat. 2681-38, Oct. 21, 1998, amended this para. by striking “If” and inserting “(A) IN GENERAL.—” and all that follows through “subparagraph (B), if”.

¹⁹⁶⁻⁹ Subpara. (B) added by sec. 803(b)(2) of the Agriculture, Rural Development, Food and Drug Administration, and Related Agencies Appropriations Act, 1999, P.L. 105-277, 112 Stat. 2681-38, Oct. 21, 1998.

¹⁹⁶⁻¹⁰ Sec. 196(j) repealed sec. 519 of the Federal Crop Insurance Act (7 U.S.C. 1519).

¹⁹⁶⁻¹¹ Subsec. (k) added by sec. 109(e) of P.L. 106-224, 114 Stat. 371, June 20, 2000. Sec. 171(b)(2)(G) of P.L. 106-224, 114 Stat. 397, June 20, 2000, provides that the amendments made by sec. 109 apply beginning with the 2001 crop of an agricultural commodity.